Moscow free-for-all
Capitalism Russian style
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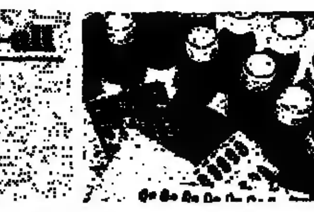

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Why nobody loves a salesman
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FINANCIAL TIMES

Europe's Business Newspaper | THURSDAY AUGUST 25 1994 | D8523A

American Barrick poised to acquire Lac of Canada

The management of Lac Minerals was poised last night to accept a revised offer by American Barrick valuing the Canadian gold producer at C$2.4bn ($1.73bn). Barrick, one of North America's top three gold producers, has now beaten rival Royal Oak Mines for the hand of Lac Minerals and will become one of the world's biggest gold producers. Page 13

India to ease drug industry rules: India is about to partially liberalise its pharmaceutical industry in a move that would cut price controls and allow foreign groups to take majority stakes in their Indian ventures. Page 12

Blood clot breakthrough: Scientists have taken an important step towards finding a drug to control blood clotting, which causes heart attacks and strokes. Page 12

Taiwan set to allow foreign securities: Taiwan is expected to announce final approval for eight foreign securities houses to establish branches on the island as part of a broader deregulation of the securities industry. Page 12

Nordbanken, the biggest casualty of Sweden's 1992 banking crisis, reported the largest profit achieved by the country's banks in the first half of this year. Page 13

BMW, the German carmaker, has paid Honda £200m ($310m) for its 20 per cent stake in Rover, bringing the total cost of its takeover earlier this year of the leading UK car producer to £1bn. Page 13

Newspaper pricing war: Conrad Black, chairman of the Telegraph Group, said the price-cutting wars in the UK's national newspaper industry represented the biggest challenge to the company since the move from Fleet Street eight years ago. Page 13

Maradona given 15-month suspension:

Soccer star Diego Maradona received a 15-month suspension for taking banned stimulants during the World Cup. The penalty could prove the end of the career of the 33-year-old Argentine, who is widely regarded as the best player of his generation. World soccer's governing body FIFA also fined Maradona SFr20,000 ($15,400) for taking the "cocktail" of five derivatives of ephedrine, traces of which were found in a random drug test after Argentina's victory over Nigeria on July 25.

Russian debt plan for promissory notes: The Russian ministry of finance proposed that promissory notes be used to resolve the country's growing debt crisis. Page 2

Digital Equipment, the US computer company struggling to cut costs, has sold nearly 100m Olivetti shares, acquired as part of an ambitious plan in 1992 to strengthen links with the Italian computer group. Page 14

West Bank deal signed: Israel and the Palestine Liberation Organisation initialed an agreement in Cairo to extend Palestinian powers across the Israeli-occupied West Bank. Page 3

Japan has eyes for Vietnam market: Japan is Vietnam's largest donor of official development aid. Now Japanese corporations are looking to boost their investment in the country. Page 4

Business urges links with N Korea: South Korean businesses believe the government is misguided in refusing to allow economic co-operation with North Korea until the dispute over Pyongyang's nuclear programme is solved. Page 3

US durable good orders fall: US durable goods orders fell 4.2 per cent in July, the biggest decline in 2½ years. Page 4

Syria goes to polls: Voting in Syria's parliamentary elections opened with more than 7,000 candidates standing for 250 seats in the People's Assembly. Page 3

Lloyd's agent to raise Bermudan capital: A Lloyd's agent is teaming up with a Bermudan securities house to raise up to £25m ($38.7m) for the insurance market. Page 6

Swiss reject Zhirinovsky: Switzerland has rejected a request by Russian ultra-nationalist Vladimir Zhirinovsky to enter the country and stay at a health resort. In the past year, he has also been refused entry to Germany, France, Spain and Slovenia.

■ STOCK MARKET INDICES

FT-SE 100	3,206.2	(+30.1)
Yield	3.93	
FT-SE Eurotrack 100	1,359.31	(+11.53)
FT-SE-A All-Share	1,604.14	(+0.7%)
Nikkei	20,511.60	(+130.82)
New York: lunchtime		
Dow Jones Ind Ave	3,801.40	(+25.57)
S&P Composite	466.35	(+1.84)

■ US LUNCHTIME RATES

Federal Funds:	4⅝%
3-mo Treas Bills: Yld	4.657%
Long Bond	99⅔
Yield	7.512%

■ LONDON MONEY

3-mo Interbank	5½%	(same)
Liffe long gilt future:	Sep 100⅔	(Sep 100⅔)

■ NORTH SEA OIL (Argus)

Brent 15-day (Oct)	$16.28	(15.93)

■ Gold

New York Comex (Dec)	$388.6	(386.5)
London	$384.25	(382.0)

■ STERLING

New York lunchtime:		
$	1.5545	
London:		
$	1.5558	(1.5539)
DM	2.3977	(2.3893)
FFr	8.2162	(8.188)
SFr	2.0228	(2.0145)
Y	153.114	(152.977)
£ Index	78.9	(78.6)

■ DOLLAR

New York lunchtime:		
DM	1.5425	
FFr	5.285	
SFr	1.3005	
Y	98.645	
London:		
DM	1.5411	(1.5377)
FFr	5.281	(5.2695)
SFr	1.3	(1.2954)
Y	98.415	(98.45)
$ Index	62.4	(same)
Tokyo close Y 98.52		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft 185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lev60.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk5.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr18	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
France	FFr9.50	Kuwait	Fils825	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal(mainland) Es325		Turkey	L30000
						UAE	Dh12.00

IBM slashes prices of US business computers

By Louise Kehoe in San Francisco

A price war erupted in the US personal computer market yesterday as International Business Machines slashed prices on many of its PC products by up to 27 per cent. The move came in response to similar price cuts by Compaq Computer, the US market leader.

Compaq threw down the gauntlet last week by cutting US prices on PC models sold primarily to businesses by up to 22 per cent.

IBM has responded by matching Compaq's prices on similar models. High-performance desktop PCs with large capacity disc drives formerly selling for around $2,500 are now expected to be widely available for just under $2,000.

"Today's actions clearly demonstrate IBM's continuing commitment to respond quickly in resetting prices to meet changing market conditions," said Bill McCracken, general manager, marketing and customer fulfilment at IBM PC Company.

Other PC manufacturers are now almost certain to follow suit as the battle for market share unfolds. "In the near future you can expect that we will undercut Compaq's prices," said Mr Boris Elisman, product marketing and programs manager for Hewlett-Packard's PC business.

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Picking up the gauntlet .... Page 13

Mr Elisman said he expected to see continuing price reductions in the fourth quarter as competition intensified. Digital Equipment is also expected to cut its PC prices within the next few days. The company is reported to have begun informing computer dealers of the impending reductions.

IBM yesterday broadened the pricing battle by reducing prices of its PC servers to about 5 per cent below Compaq's current levels. PC servers are computers used to control office computer networks, and represent the most profitable and fastest growing segment of the corporate PC market.

Compaq is currently the dominant supplier of PC servers, but IBM, which launched new products earlier this year, is making an aggressive push into Compaq's territory. The price war comes as the industry is entering its peak selling season and is expected to boost sales in an already rapidly growing market.

Fuelling the PC battle are cuts by Intel in the prices of its microprocessors, the "brains" of PCs. Intel reduced the prices of its 486 and Pentium chips by about 40 per cent in the second quarter.

Also adding to the momentum of PC price declines is the broad availability of products in a market that has faced product shortages during the past two years. With inventories now building up, manufacturers are determined to increase sales.

US to house refugees at naval base ■ Cuba government offers talks

Thousands still fleeing Cuba

By James Harding in Washington

The US moved to house indefinitely tens of thousands of Cuban refugees yesterday at its Guantánamo Bay naval base and third-country detention centres as the numbers fleeing the island continued to soar.

The Clinton administration, under growing pressure from the tide of refugees in spite of last week's policy switch to bar them from entering the US, was yesterday offered talks on the issue without preconditions by Cuba.

Mr Roberto Raina, Cuba's foreign minister, said on a visit to Chile that his government was willing to talk to Washington, but would not accept a dialogue "in which one side presides and the other listens". However, the US has consistently rejected the possibility of talks.

Mr William Perry, US defence secretary, said camps at Guantánamo Bay in Cuba, which presently hold 23,000 refugees from both Cuba and Haiti, would be expanded house up to 40,000 people by the end of next week.

"We are preparing to maintain that [detention] base indefinitely if necessary until such time as the people can be repatriated to Cuba," Mr Perry said.

US officials refused to say explicitly that they would hold refugees until the Castro regime fell, but said they would be detained until they could be repatriated to Cuba – which US law presently forbids.

The US Coastguard reported 3,253 people were picked up on Tuesday, a record for one day. Mr Perry said that of the 9,000 refugees picked up in recent weeks, 2,000 were already held at Guantánamo Bay and the other 7,000 were on route there.

Cuban refugees on inflatable craft wave at a US coast guard helicopter which spotted them about 45 miles south of Key West, Florida Picture: AP

The administration again warned Cubans not to attempt the dangerous crossing, with a stern reminder that those picked up at sea and taken to Guantánamo would never get into the US. "Do not risk your lives," Ms Janet Reno, attorney-general, said. "You will not be processed for admission to the US."

Ms Reno urged those wanting to leave to pursue legal emigration by taking advantage of the 28,000 visas reserved for them annually in Cuba.

Mr Perry also said that, contrary to some reports, he had "no evidence" of Cubans congregating on the country's border with the US base at Guantánamo. If Cuba allowed this to happen the US "would regard this as being an unfriendly act [and] take appropriate actions", he said.

Although the administration hopes to see a drop in numbers fleeing the island over the next week as its policy change hits home, the State Department is negotiating to set up third-country safe havens in the region.

Mr Peter Tarnoff, deputy secretary of state, confirmed that the US expects to conclude arrangements with the Turks and Caicos Islands – a British dependency – as well as Surinam and Panama.

Mr Tarnoff rejected the idea of discussions with Cuba's leader-

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Cuban exiles await green light from US, Page 4

Wellcome launches US drug patent suit

By Daniel Green in London

Wellcome, the UK drug company, is taking its rival SmithKline Beecham to court in the US, *accusing* it of infringing the patents on its best-selling drug Zovirax, a treatment for herpes and shingles.

The suit claims that the SmithKline drug Famvir, launched last month in the US, produces inside the body a "virtually identical" molecule to that covered by Wellcome patents. Wellcome wants an injunction against the sale of Famvir in the US and is claiming unspecified damages for loss of sales.

SmithKline said the legal action was a surprise. It denied infringing any patents and said it would defend the actions.

This is the first patent suit in recent years by Wellcome against a multinational drug company. It comes after a series of changes in top management at the company, including the promotion in May of Dr David Barry from the company's US operations to head of research, development and medical affairs.

Patent suits are commonplace elsewhere in the drugs industry, especially in the US. Winning even a few weeks' extra legal protection for a drug can mean tens of millions of dollars in added earnings for the patent holder.

About $1.5m worth of Zovirax is sold every day in the US. With

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China orders food price curbs after rise in retail inflation

By Tony Walker in Beijing

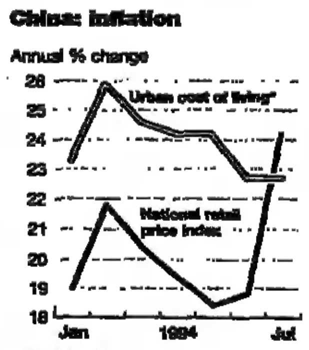
China signalled its alarm yesterday at a big jump in retail inflation by ordering a nationwide drive against food price rises, the main cause of the latest inflationary surge.

The country's newspapers, reflecting government concerns about social unrest, splashed across their front pages a directive from the ministry of internal trade calling on state food distribution agencies to "stabilise" the market.

This coincided with the release of inflation figures for the 35 main cities showing a 24.2 per cent rise in retail prices in the 12 months to July. Prices were much higher than in previous months because of steep increases in staple commodities such as grain, vegetables and pork.

The jump in July prices, reversing the moderating trend of the first six months, has unnerved the government, which had believed its tight money policies were beginning to counter an inflationary spiral.

"The ministry of internal trade urges distribution departments to do a good job in supervising local price rises and punish resolutely any speculators," People's Daily, the Communist party newspaper,



*35 main cities
Source: State Statistical Bureau

reported. There was no mention in the directive of the reintroduction of price controls on staples, but localities were authorised to distribute commodities from stockpiles or use special funds earmarked for the purpose to stabilise prices.

The bad inflation news has compounded official worries about possible social unrest fuelled by rising prices. Figures released last week showed that capital spending in July had leapt by 72.9 per cent compared with the same period last year.

While western economists cautioned that not too much could be read into one month's fixed asset investment figures, the government was sufficiently concerned to announce it was tightening credit after an easing in the second quarter.

The authorities are almost certainly bracing themselves for more bad news, with pressures on food prices in both southern China, which has been hit by widespread flooding, and the north, which has been suffering from drought. Beijing has also promised hard-pressed farmers further increases in grain prices.

The state statistical bureau reported that the food price index for city-dwellers rose 31.9 per cent in July compared with the same month last year. Grain prices jumped by 57.8 per cent and vegetables by 29.7 per cent.

The government's target of national retail inflation of 10 per cent for 1994 is now certain to be surpassed. Based on July figures, it might be hard-pressed to keep inflation below 20 per cent for the year, compared with the 13 per cent of last year.

While the government fears the reaction to food price increases, the broader cost of living index, including services, appears to have stabilised. In July, the cost of living for the 35 main cities was up 22.7 per cent compared with July, 1993, but down from a year's high of 25.9 per cent in February.

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Russian debt plan for promissory notes

By Chrystia Freeland in Moscow

The Russian Ministry of Finance proposed yesterday that promissory notes be used to resolve the country's growing debt crisis.

The inter-enterprise debt, which government officials said now exceeds Rbs100,000bn (£30bn), threatens to paralyse the Russian economy and is developing into the Kremlin's top political concern.

Mr Sergei Dubinin, the acting minister of finance, presented a draft law on the introduction of promissory notes to yesterday's meeting of the Russian government's emergency commission on the debt crisis.

According to Russian news agencies, Mr Dubinin's proposal is that promissory notes, backed by government guarantees, should be used to cover enterprises' current debts for goods which have already been delivered. Eventually, he told the commission, all the inter-enterprise debt would be translated into promissory notes.

A presidential decree last spring made a similar scheme mandatory in an early effort to head off the debt crisis, but Russian enterprises largely failed to comply, according to Mr Fyodor Andryev, a board member of Tver Universal Bank, which is active in the corporate debt market.

But the new plan, whose details remain vague even to senior Russian government officials, is being sceptically received by reformist members of the Russian administration and senior western analysts and bankers.

They fear the promissory notes, particularly if backed by the government and indiscriminately issued to enterprises, could merely become disguised government loans.

Mr Sergei Aleksashenko, the deputy minister of finance and an advocate of tough market reforms, rejected his minister's own proposal.

"The minister must be mistaken," Mr Aleksashenko said. "My government will never bail out indebted enterprises either through government backed promissory notes or more directly."

Russia's experience with high inflation has made the government wary of directly handing out soft loans, but many Russian officials also fear the political implications of allowing large numbers of inefficient, indebted enterprises to go bankrupt.

Western analysts fear that a promissory note programme could, in the guise of a solution to the debt problem, merely be a way of postponing the final day of reckoning.

"They smell to me of another government bail-out," one senior western economist said.

A western banker working in Moscow said the proposal "does not address the basic problem and could even create some new problems". In his view, the best solution to the debt mountain – which he said "is getting to be a crisis; there is a real debt spiral developing" – would be for the government to intervene as little as possible.

The banker pointed out that debt was already very expensive for Russian companies and that to lower their debt burden some enterprises were beginning to offer investors debt for equity swaps.

Any government programme which indiscriminantly assisted both more and less indebted enterprises, he said, would harm those more efficient factories which have sought to reduce their debt load on their own initiative.

German poll finds little love for banks

By Christopher Parkes in Frankfurt

German banks not only have too much influence over industry, but they fail to use it effectively, according to a poll of the nation's management and political elite. They have also lost the confidence of many ordinary customers who now believe they will get a better deal from a car salesman than from their bank manager.

The tax man, too, appears to require protection from Germany's unloved financiers. According to the respected Allensbach polling institute, banks offering overseas investment advice to savers will frequently throw in advice on tax avoidance as a bonus.

In a process akin to sticking a finger in boiling water to check if it is hot, the institute carried out a survey recently as the nation steamed over the third successive bank-related corporate calamity, and while tempers simmered over bumper bank profits garnered during the recession.

Questioning of a 650-strong sample on the topic of bank power, the institute came up with a clear majority believing banks should not be allowed to hold stakes of more than 15 per cent in other companies.

Three-quarters of the sample, which included premiers, board directors and top managers, said bankers should be granted fewer seats on other companies' non-executive supervisory boards; two-thirds believed they did not take their responsibilities seriously enough.

Long a favourite target of the popular press, German banks have now emerged as not much liked in the higher ranks of society. Although the timing and tone of the survey – for Capital business magazine – questions might arguably have distorted the results, the findings underlined the need for some image-building.

In an unaccustomed display of contrition, Mr Hilmar Kopper, Deutsche Bank chairman, and target of much abuse, recently admitted to "arrogance".

Sensitivities have been outraged in particular by the near-collapse of Metallgesellschaft in which leading banks had large holdings and considerable supervisory board clout.

This and the subsequent alleged multi-billion scams perpetrated by property shark, Mr Jürgen Schneider – now on the run – and managers of an athletics track supplier, injected new life into a prolonged debate on the power of the financial institutions.

Fewer than 50 per cent of the managers in the group said banks helped the economy to function while 40 per cent said they acted as a brake on entrepreneurial initiative.

The fed[illegible] banking association greeted the survey with "great astonishment," adding there was nothing new in the results.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 5964481. Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.
FRANCE: Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Sparks set to fly over Kleve's power plans

Judy Dempsey on a German town's attempt to buy its electricity from over the border in Netherlands

Mr Manfred Palman, financial director of the small German city of Kleve on the Dutch border, needs no prompting to recall the two most important events in the city's modern history: the Allied bombing on October 7, 1944, and the contract made in 1910 between Kleve and RWE Energie, Germany's largest utility, to supply its inhabitants with electricity.

Fifty years on, though, the bombing seems to have had less impact than the contract. "The Allies bombed 91 per cent of our city, but we have since rebuilt it. RWE has monopolised our electricity supply since the early 1900s. But now we want to end that contract," said Mr Palman.

Ironically, the British may now be his best hope of doing that. Mr Palman hopes Britain, and some other countries of the European Union, will support a decision by Kleve to end the contract with RWE and buy its energy from the neighbouring Netherlands. This decision is supported by Germany's cartel office which has referred the question to the Brussels competition authorities.

"The EU wants to use Kleve as a test case. We must win because this will be the beginning of the end of the large energy monopolies in Germany," said Mr Palman. "It will usher in an era of competition and choice for the consumer."

That would be a significant departure for Europe's electricity supply industry in general and for Germany in particular. The battle for the future control of the supply and distribution of energy is one of Germany's hottest political issues – a great deal of power and money is at stake.

In every German city or town *Stadtwerke*, or city utilities, are responsible for supplying electricity, gas, and water to the local industrial and domestic consumers. The *Stadtwerke*, which are owned by the city councils have a long tradition, however, of issuing exclusive "concession rights", or contracts, to Germany's largest utilities.

To obtain these exclusive concessions, the utility companies pay the Stadtwerke an annual fee. "In the case of Kleve, RWE pays us DM3.5m [£1.5m] each year," said Mr Palman. Kleve consumes 210m kilowatt hours each year at a cost of DM45m-DM50m [£19m-£21m].

"Our domestic consumers pay 14.7 pfennigs per kilowatt hour," said Mr Palman. "But we think we can obtain energy from the Netherlands for 2 pfennigs cheaper. The problem is that, as yet, there is no link between Kleve and a Dutch supplier," he added.

Indeed, if Kleve were to go further afield, says Mr Palman, the city might be able to obtain nuclear generated power from France for about 8 pfennigs per kilowatt hour. "But because there is no German law permitting third party access [TPA], which, in our case, would allow any outside company access to the RWE grid at Kleve, we are entirely dependent on this monopoly structure with RWE."

The dispute between the company and Kleve's city council – controlled by Chancellor Helmut Kohl's Christian Democrats in coalition with the Free Democrats – has national political implications because it coincides with attempts by Mr Günter Rexrodt, the FDP economics minister, to deregulate Germany's energy sector.

Germany currently the European Union presidency and Mr Rexrodt is trying to introduce EU legislation aimed at introducing TPA throughout Union. To no-one's surprise, his plans are floundering.

Britain, which supports TPA, has backed him, but France, with one of the EU's jealously guarded energy structures, has opposed any plans for liberalisation. More importantly, utility officials say that since France will assume the EU presidency next January, Mr Kohl is unwilling to support his minister for fear of upsetting Franco-German relations. The chancellor is also reluctant to push for TPA until after October's federal elections. "Everyone in Bonn is waiting to see the outcome of the elections before any party tackles the energy issue head-on," said Mr Palman.

The Stadtwerke, too, are hoping the next government will not upset the comfortable status quo. Most of them oppose liberalisation for a variety of reasons. Those councils controlled by the opposition Social Democratic party fear deregulation would adversely affect the coal industry, traditional SPD supporters, and eventually lead to the phasing out of coal subsidies. Each tonne of German-produced coal receives a subsidy of DM200m to offset cheap imports.

In addition, said an official from the Federal Association for Gas and Water, "the introduction of TPA would mean that the Stadtwerke would lose at least DM5bn each year from concession rights fees. No wonder the finance ministry is also against TPA. It would have to fork out more money to the local councils."

Above all, TPA would mean the loss of political favours for the Stadtwerke. "Germany's utilities are adept at offering more besides energy when they pay the annual concession fee," claimed the same official. "Its a kind of political patronage. Don't forget that members of the Stadtwerke are also members of the city councils, who in turn have close political ties with the state governments. The councils need money to run their campaigns and prove their track record. Where do you think the money for a new swimming pool comes from?"

Mr Palman has little patience with this kind of political clientalism which has evolved over the decades between the Stadtwerke, the utilities, the city councils and the states. "We want choice and competition. If we can obtain cheaper energy from other sources we should have the right to do that."

Germany's utilities, for their part, say they have "in principal" nothing against TPA. "We are not opposed to competition provided TPA is based on reciprocity which means that we would be able to sell and distribute our energy in France," said an official from RWE Energie.

But back in Kleve, Mr Palman knows that without a political consensus in Bonn ready to take on the Stadtwerke and utilities, or unity in the EU, the city's 47,428 inhabitants will have to wait some time for their Dutch electricity.

The battle for the future control of the supply and distribution of energy is generating much heat in Germany – a great deal of power and money is at stake.

Drugs, telecoms seen as spur to EU growth

By Lionel Barber in Brussels

Pharmaceuticals, telecoms, computer and office equipment, and plastics processing are among the six leading growth sectors in European industry, according to a study published yesterday by the European Commission.

The 1,400-page report says a surge in demand for health services, the drive toward a new "information society", as well as rapid expansion of car manufacturing and electronic engineering, were the engines of growth between 1986 and 1992.

But a source of worry is the widespread fall in European companies' average profit ratio as a result of weaker world growth, stronger competition and high real interest rates.

European companies are also failing to keep pace with their Japanese and US competitors in investment in the fast-growing east Asian economies, according to the 5th edition of the Panorama of EU industry*.

One of the EU's success stories, nevertheless, is in the world pharmaceutical market, where it is the leading producer. Production rose 44 per cent (in constant prices) since 1987, while the US and Japan increased their level by 8 per cent and 17 per cent respectively. As a result, in 1992, the value of EU production was about a third higher than that of the US and double Japan's.

In telecommunications, the report predicts growth of 6 per cent a year, boosted by new technologies and liberalisation of data services and mobile communications. The total information services market in the EU could reach Ecus244bn (£195bn) by 1997, with telecoms accounting for Ecu136bn.

The computer industry is undergoing a downturn, with large indigenous suppliers such as Siemens-Nixdorf of Germany, Groupe Bull of France and Olivetti of Italy losing money amid radical restructuring, the report says. But it predicts Europeans may be well placed to exploit the trend to smaller data processing machines.

Eco-industries have strong growth potential. The report says Greece, Portugal and Spain are projected to have the highest rates because they will have to invest to meet EU legislative targets. Market growth estimates among the southern Europeans range from 7.4 per cent to 8.3 per cent; but growth in the UK, France, Italy and Belgium is likely to be only moderate and may have already peaked in Germany and the Netherlands.

The report predicts demand in waste management and land reclamation are likely to increase, while the share of the water treatment and air pollution control equipment sectors is likely to decline – partly because of the Commission decision to adapt legislation to match demands for subsidiarity (devolving decision-making to member states from Brussels).

**Panorama of EU industry available in English, French and German from Office for Official Publications of European Communities, Rue Mercier, L-2985 Luxembourg. Tel 352 499281. Price Ecu130.*

Slovakia prepares its sale of the century

The stalled privatisation programme is back on track, reports Vincent Boland from Bratislava

Slovakia's governing coalition, which came to office in March vowing to revive the country's stalled privatisation programme, is about to make good on its promise.

On September 6, three weeks before a general election, the government of prime minister Mr Jozef Moravčik is due to approve the sale of up to Kcs250bn (£5.2bn) worth of state assets to the private sector. It is one of the biggest mass sell-off programmes of any post-Communist country outside the Czech Republic.

However, given the government's distinctly end-of-term air, nobody is taking anything for granted. Officials admit there is still a lot of work to be done. "People are working 24 hours a day to get everything finished," said one, exaggerating only slightly. "We are trying to make up for the previous government [of Mr Vladimir Mečiar], which didn't do much, to say the least."

[illegible] when Slovaks vote on September 30 and October 1 in the first general election since independence 20 months ago.

Getting his fragile coalition to approve such a sweeping sell-off programme will be difficult. The Democratic Left party (SDL), comprising mainly former Communists, with seven ministers in the mainly technocratic government, is divided on the issue. Luckily for Mr Moravčik, the SDL's pro-privatisation wing, headed by deputy prime minister Ms Brigita Schmögnerova, is currently in the ascendant.

"Privatisation is the most difficult issue facing the government," admits Mr Eduard Kukan, foreign minister. He maintains, however, that it is less whether the policy should be implemented, than how, to fulfil our promise."

But the plans have come under fire for allocating only a quarter of the sales to voucher privatisation. Slovaks are already familiar with the voucher method, a device used the last government of the former Czechoslovakia in which citizens buy vouchers and exchange them for shares in the companies of their choice. About 30 per cent of Slovak industry had already been privatised in this way before the federation split at the end of 1992.

The new programme calls for disposing of Kcs80bn of assets via the voucher method, though this may yet be reduced to Kcs60bn. The remainder will be sold directly to investors or management, or floated on the stock market [illegible]

With opinion polls suggesting the SDL and Mr Mečiar's Movement for a Democratic Slovakia will emerge as the biggest parties after the election, it is fear of the return to power of the former prime minister, a hardline nationalist with no inclination towards privatisation, that is driving the government to push through its proposals.

This has also led it to strengthen anti-corruption and money laundering laws alleged to have been ignored or abused during the last days of the Mečiar administration. Three weeks ago parliament enacted a law which requires all Slovak citizens buying state property to provide documented evidence of the source of their funds.

However, there is now the [illegible] Michal Kovač to call a referendum to enshrine a similar clause in the constitution. However, the question voters are to be asked to decide is extremely vague, and there are fears that if the referendum goes ahead – it is scheduled for October 22 – it could vitiate the newly strengthened legislation, which has been praised for its comprehensiveness.

The government, as a result, would like to avoid the referendum, but summoning a parliamentary majority to repeal the order is proving impossible. Too many politicians are getting campaign mileage out of being seen to support it.

This is exactly what Mr Moravčik was hoping to avoid. Instead, he has inadvertently handed a stick to the nationalists, who have taken to beating the government with it. Whether it becomes an issue when the election campaign kicks off in earnest in the [illegible]

EUROPEAN NEWS DIGEST

Russians stop uranium theft

Two unemployed Russian men have been arrested trying to steal low-grade uranium from a weapons plant in central Russia. The two men were caught on Saturday in possession of almost 10kg of uranium-238 at the Arzamas-16 plant near Nizhny Novgorod. The arrests followed a joint investigation by the counter-intelligence service, the interior ministry and local security officials. Nuclear experts said that although the material was dangerous it was not of sufficient quality or quantity to make a nuclear bomb.

The Russian authorities said that the arrests showed the effectiveness of current security measures and attacked the western media for tarnishing the reputation of their nuclear industry. The Russian counter-intelligence service said the country "almost certainly" had nothing to do with the trade in contraband nuclear materials. The illicit international trade in nuclear materials was highlighted recently when three batches of weapons-grade plutonium were found in Germany. Following talks in Moscow at the weekend between Mr Bernd Schmidbauer, Chancellor Helmut Kohl's intelligence co-ordinator, and the Russian authorities, both countries have promised a greater exchange of intelligence information and co-operation to counter contraband plutonium. But the issue is taking on an increasingly multinational dimension. Mr Klaus Kinkel, German foreign minister, said yesterday he would raise the matter at a meeting of European Union foreign ministers next month. He suggested the United Nations Security Council should also debate how to stop plutonium smuggling. *John Thornhill, Moscow.*

Rühe warns on Eurofighter

German defence minister, Mr Volker Rühe, said that the Bonn government would not buy the Eurofighter 2000 if it proved to cost the DM150m (£63m) per aircraft which the German National Audit Office has calculated. "I can only warn the industry that if it is considering prices like that, the Eurofighter will not be built, said Mr Rühe. In an interview with Stern magazine, he added that it was not the place of the audit office to recommend that Germany should buy Russian MiG-29 aircraft instead. "When the German parliament decides on ordering [the aircraft] in 1995, the two most important criteria will be performance and the concept of European industry," he said. The audit office's controversial report also recommends that Germany delay any purchase of Eurofighter until 2006. However, most experts believe the DM150m figure to be wrong. Industry sources say that the current estimate is around DM103m, against a government target of DM90m. The current year's Eurofighter development funding is due to be debated by German parliamentary committees on 8 September. *Bernard Gray, London.*

Denmark unveils tight budget

In an attempt to convince the financial markets that current high rates of interest on Danish government bonds are unjustified, the government yesterday presented a tight draft budget for 1995, bringing its publication forward by a week. Central government expenditure will fall by DKr6bn (£635m) in real terms in 1995 to DKr392.5bn, said Mr Mogens Lykketoft, finance minister, who added that the budget will have a restrictive effect on the economy next year after being strongly expansive in 1994 – election year. The economic recovery has allowed the government to limit expenditure and increase revenue. The budget deficit is set to fall to DKr45.3bn in 1995, or 4.6 per cent of gross domestic product, from DKr47.3bn, or 5.1 per cent of GDP, in the current year. The total public sector financial deficit will fall to DKr30.4bn from DKr41.0bn, or from 4.4 to 3.1 per cent of GDP. The budget, which proposes no new taxation or expenditure, had no immediate effect on the financial markets. *Hilary Barnes, Copenhagen.*

Russia rebuffs Sevastopol

Russian officials yesterday rebuffed the attempt of Sevastopol, the Crimean port city, to declare itself a part of Russia earlier this week. A political gift to Kiev on the day Ukrainians are celebrating their third anniversary as an independent state, Russia's move is another indication of the thaw in relations between the two Slav neighbours. "Russian politicians do not plan to take advantage of Ukraine's internal problems and warm their hands over the hardships of others," Mr Mark Urnov, an adviser to Russian President Boris Yeltsin, said yesterday. The city council of Sevastopol, home port to the contested Black Sea Fleet and part of a region which elected an openly separatist president in January, has proclaimed the city Russian territory. Kiev said the move had no legal force but chose not to take any punitive actions. *Chrystia Freeland, Moscow.*

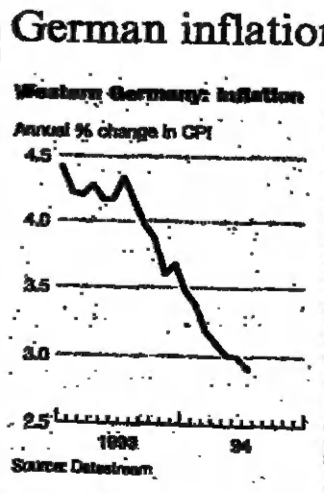
Rocard set to quit French post

Mr Michel Rocard was yesterday said by aides to be preparing to resign as mayor of Conflans St Honorine, a small town outside Paris, which is the former Socialist party leader's last elected post in French politics. His impending resignation in favour of Mr Jean-Paul Huchon, his deputy mayor and righthand man at the Socialist party, would appear to reflect his growing disenchantment with politics. Mr Rocard was ousted as party leader on June 19 after he led the Socialists into a heavy defeat in the European parliament elections, though he himself won a seat in the Strasbourg assembly. But aides said Mr Rocard was not planning to quit politics altogether. His ouster from the Socialist leadership has left wide open the question of who will be the party's presidential candidate next year, unless Mr Jacques Delors, the retiring European Commission president, decides to run. Until the mantle of the presidential candidacy settles definitively on someone else, Mr Rocard may be keeping open the option of a come-back. *David Buchan, Paris.*

ECONOMIC WATCH

German inflation on rise

Western Germany: Inflation



German inflation probably bounced back up to 3 per cent in August from 2.9 per cent last month, according to price data from two key west German states. In July, German inflation fell below 3 per cent for the first time in three years, but high coffee and oil prices meant that the trend to falling inflation was reversed this month. Yesterday, North Rhine-Westphalia reported that prices in the state were up 0.1 per cent in August for a year-on-year increase of 2.8 per cent. Prices in Baden-Württemberg rose 0.2 per cent for an annual 3.1 per cent increase. These two states, together with Bavaria and Hesse, form the basis from which the government produces provisional inflation data for all of west Germany each month. Analysts said the expected rise was not surprising and partly reflected seasonal factors. The rate was likely to remain around 3 per cent for the rest of the year before falling to around 2.5 per cent at the start of 1995. *Reuter, Frankfurt.*

■ Dutch industrial production slipped 1 per cent in June on a seasonally adjusted basis from May, but was 3 per cent higher than 12 months earlier, the central statistics bureau reported. Adjusted industrial output [illegible]

Business urges links with North Korea

John Burton reports from Seoul

South Korea's main opposition Democratic party is not normally known for being pro-big business, but this week it publicly voiced what many executives are saying in private about the government's refusal to allow economic co-operation with North Korea until the dispute over Pyongyang's nuclear programme is solved.

"By maintaining the policy of linking the nuclear issue and economic co-operation, the government is losing out on economic interests in the North to other countries like the US and Japan," the party supreme council said.

It was only two months ago that South Korean companies were reviving investment plans for North Korea because of the prospect of improved relations resulting from a proposed inter-Korean summit.

South Korean companies, such as Daewoo and Samsung, are eager to enter the North to employ its cheap and disciplined workers for the labour-intensive textile and consumer electronics industries, which are losing their international competitiveness because of rising wage costs in the South.

But the sudden death of North Korean President Kim Il-sung in early July postponed the planned summit and Seoul has adopted a tough stance toward Pyongyang since then.

"South Korea is losing a golden opportunity to establish an early economic presence in the North, while giving a helping hand to the reformers in Pyongyang who want to open North Korea to foreign investment," said one east European diplomat. "A conciliatory economic policy would stabilise North Korea and prevent its sudden collapse, which Seoul fears."

South Korean President Kim Young-sam's recent hardline attitude toward the North is seen as an attempt to win the domestic political support of conservatives, while avoiding giving a stamp of legitimacy to the North's new and uncertain leadership under Mr Kim Jong-il.

"The government is facing a dilemma on the economic issue with North Korea. It wants to use economic co-operation as a leverage to win political concessions from Pyongyang on the nuclear question and other issues.

But it also fears that if it waits too long, it would allow Japanese and US companies to establish a foothold in North Korea before South Korea does," said Mr Koh Il-dong, a researcher on the North Korean economy at the state-funded Korea Development Institute.

North Korea is soliciting IBM and other US blue-chip companies to invest in the country's first free trade and economic zone in the Rajin-Sonbong region in expectation of improved relations with Washington. Japan already has a presence in North Korea through a number of small joint ventures managed by pro-Pyongyang Korean-Japanese.

South Korea has also forged tentative business ties with the North, with inter-Korean trade amounting to $113m (£73m) during the first seven months of this year.

Lucky-Goldstar and a few other South Korean companies are using North Korean factories to reprocess garments. Seoul is also a big importer of mineral products, such as gold and zinc, from the North, which enjoys a heavily lopsided trade surplus with the South.

It is clear the South Korean government is preparing to support a significant economic leap into North Korea if the recent framework agreement between Washington and Pyongyang bears fruit and solves the nuclear dispute.

Seoul has heavily lobbied the US to win its support for the supply of South Korean light-water reactors to replace the North's dangerous graphite ones as part of the nuclear deal.

Seoul is also studying plans to provide electricity to North Korea to reduce energy shortages during the 8-10 years that it would take to build the light-water reactors.

The South Korean conglomerates want to undertake other infrastructure projects in the North. Hyundai has expressed interest in rebuilding the North's poor rail and road networks as well as establishing tourism facilities and a ship repair yard.

Several producers of cement and construction materials, such as Ssangyong and Tongyang, have discussed the possibility of establishing facilities in the North to provide supplies to reconstruction projects.

Accord will give Palestinians control of five services

Arafat extends grip over West Bank

By Julian Ozanne in Gaza

Israel and the Palestine Liberation Organisation were due last night to initial an agreement in Cairo to extend Palestinian powers across the Israeli-occupied West Bank.

Under the agreement, known as early empowerment, Palestinians will assume authority over five West Bank services of tourism, health, social welfare, direct taxation and education for up to 1m people.

The Israeli military-run Civil Administration will control all other government functions until after Palestinian elections due in December.

The handover gives Mr Yassir Arafat, PLO chairman, his first formal foothold in the heart of the West Bank.

The PLO had pressed Israel for a speedy extension of powers over the West Bank, saying it was vital to maintain the peace momentum and shore up fragile Palestinian support for Mr Arafat's concessions to Israel in negotiations since last August.

With early empowerment under way, Mr Arafat will be better placed to fend off critics who said he would end up as mayor of a desert strip and Israel would drive a wedge between Gaza and the West Bank.

Talks can now begin about the much more difficult third stage of the process: redeployment of Israeli troops out of Palestinian population centres in the West Bank and the holding of the Palestinian elections.

Education will be the first significant service handed over to Palestinian administration. Israel has said it will complete the full transfer to Palestinian control by the start of the school year on September 1.

The Civil Administration yesterday handed authority to Palestinians over 150 government-run schools, educational institutions and offices of the education department in the Ramallah area.

Mr Naim Abu al-Humos, Palestinian director-general of education, said the West Bank's six remaining school districts would be transferred by August 29, including buildings, supplies and textbooks at present owned by the Civil Administration.

The success of the handover will determine the pace of peace talks and depend largely on the PLO's ability to fund services. Already, the cash-strapped Palestinian National Authority is struggling to administer for the 850,000 residents of Gaza-Jericho.

Tax collection is almost non-existent and the PNA treasury largely depends on the slow drip of international aid and the transfer of Customs duties collected by Israel on Palestinian imports, so far worth Shk13.5m (£2.8m).

Israel has voiced concern about the PNA's ability to fund West Bank services amid predictions that revenue collections, particularly of income tax, which yielded Shk143m last year, would fall far short of the money collected by Israel during its occupation. The PNA treasury will be deprived of West Bank Customs revenues until after the elections.

Israel and the PLO will make a joint approach to international donors to seek allocation of a contingency fund worth $9.5m (£6.3m) a month for six months. The extra money comes on top of $13m a month the PNA can draw from a special fund for the running expenses of its administration in Gaza-Jericho.

Mr Nabil Shaath, chief PLO negotiator, claimed yesterday the World Bank had made a serious error of judgment by not infusing emergency funds quickly into the self-rule areas; he warned that economic problems and high expectations would lead to unrest.

Naim Abu al-Humos, Palestinian Authority director of education, giving the thumbs-up after Israel had transferred education to Palestinians in the occupied West Bank yesterday. Col Baruch Nagar of the Israel army Civil Administration looks on. Reuter

Gaza security chief criticises leadership

By Julian Ozanne in Gaza

The commander of the Palestinian security forces said yesterday he could prevent attacks against Israelis by Islamic extremists in Gaza and improve security if he was given the political go-ahead by Mr Yassir Arafat, PLO chairman.

In an interview in his Gaza headquarters Maj Gen Nasr Yussuf said the Palestinian "political leadership" had failed to take clear decisions about curbing attacks by Hamas guerrillas and confiscating weapons. He also said the autonomous operations of Mr Arafat's 500-strong armed plain clothes Mukhabarat, or Palestinian Preventive Security Apparatus (PPSA), made security enforcement much more difficult.

The remarks expose the frustration within the professional military and police establishments with Mr Arafat's murky security policy and his determination to maintain competing security forces which report directly to him.

The rare public criticism of Mr Arafat's leadership is likely to spark a fierce internal Palestinian debate and be seized upon by Israel as evidence that Mr Arafat is not fully committed to his security obligations under the peace accords.

Israel has accused the Palestinians of easing up on measures against extremist guerrillas and said yesterday the PLO had released four Islamic activists they say are responsible for the May 20 killing of three Israeli soldiers in Gaza.

Gen Yussuf confirmed that all 40 Hamas activists arrested recently had been released from his custody and said: "The political leadership should identify a clear-cut policy on how to deal with the armed opposition elements and the use of weapons." He added that "for sure" his 7,200-strong force could deal with Hamas if given the authority to do so.

The general warned that if Hamas was not confronted soon it could grow in strength. He said the police had been operating under a policy of confiscating weapons on the street but that this policy had now been suspended. He said there was an urgent need for a unified and integrated security command.

A senior official in Mr Arafat's "Office of the President" denied there was mounting tension between the military and the PLO chairman but admitted there were divisions of opinion over what measures should be taken against Hamas. "We can't do what the Egyptians or the Algerians are doing and risk a civil war here," he said. "We will not allow people to break the law but there are limits and we can't risk breaking the whole country apart."

Gen Yussuf said his police force was desperately in need of funds to pay salaries and meet running costs. He said he had received only $880,000 (£570,000) from "the political leadership" and had run up debts worth $900,000 to local traders for food, clothes and furniture.

The general said salaries of $260 a month had led at least four policemen to sell their weapons to extremists in Gaza and he had dealt with a few cases of bribery and smuggling.

Britain has pledged £5m for salaries and equipment, and donors are in the process of organising a special "cop" fund worth $7m a month to pay for salaries, training and running expenses of the police as they get set to spread out from Gaza-Jericho to the West Bank. But Gen Yussuf said the money was slow in coming from donors to the PLO and from the PLO political leadership to the police force.

Oil-rich Nigeria queues for petrol

By Paul Adams in Lagos

At first glance, business seems to be booming at the Mobil filling station in Awolowo Road, Lagos. The forecourt is jammed with cars in a queue which stretches two abreast a quarter of a mile down the road. But the pumps have been dry for nine days and this month's sales are about 80 per cent below average.

"Some of these drivers have been waiting here for nine days to buy fuel. I am getting to know some of them quite well," says Mr Alex Enwesi, the manager of the Mobil station.

"I don't know when the next delivery of fuel will come, and these people are prepared to wait because they know that here when I have fuel they can buy it at the official price."

Mr Enwesi has four kinds of insurance for staff, cash, stock and equipment, as well as the Mobil corporate cover, and life assurance for himself. The risk of fire with all these vehicles, fights when tempers get short or even riots are never far away.

The police and the army are not far away either but sometimes they are more of a hindrance than a help. The sight of a military patrol van and armed troops at the head of an irate queue raises the temperature every time.

Overnight queues for fuel have become a common sight for among Nigerians who, for years, have taken very cheap fuel for granted.

The strike against military rule by Nigeria's oil workers is in its seventh week and in Africa's richest oil producing country petrol, diesel and kerosene are precious commodities.

Oil marketing companies estimate that fuel supply is less than 20 per cent of normal demand in the Lagos area, which accounts for about 40 per cent of Nigeria's demand.

> 'Some of these drivers have been waiting here for nine days to buy fuel. I am getting to know some of them quite well.'

Other than on foot, there is no alternative to road transport and for most of the estimated 6m people in the sprawling city there are three choices: queue and hope to buy fuel at the official price of N3.25 (a mere 5p) a litre; buy it on the black market for anywhere between N30 and N50 a litre; or do without fuel.

Nigeria's main oil refinery, in Port Harcourt, is out of action until Monday at the earliest due to a strike by workers in protest at action by heavy-handed army guards. The next biggest refinery, Warri, has not resumed operation since an overhaul in April and the small refinery in Kaduna in the north produces little fuel.

Most of the 16 state-owned depots have very little product, tanker drivers in the south are still on strike and the private sector's terminals in Apapa port, Lagos, get occasional imports by ship.

All of this is bad news for the filling stations who play by the rules. "Being a dealer is not a lucrative job at present" admits Mr Enwesi, who took over his service station after a successful career in marketing with Mobil Nigeria, one of the big six fuel marketing companies in Nigeria.

"I make my living as a dealer from commission selling Mobil's products. When supply is not made regularly, when you want it, it is hard to cover overheads. Before the strike I sold about 800,000 litres of petrol and kerosene a month, now I am getting about 150,000."

Unlike some dealers, Mr Enwesi does not put fuel aside. If a station is caught hoarding or selling into jerry cans the military Task Force on Petroleum Products can close him down.

The phone in his office rings. "Yes, the workshop is open. Fuel? that is a scarce commodity." Mr Enwesi apologises to the caller, not a regular customer just someone desperate.

Mr Enwesi's predicament is typical of millions in Lagos. "They are striking for civilian rule and democracy, which I support, but it is hurting the common person. What pains me most is that there is no sign that the government and opposition are sitting down to talk. I don't see an end to it."

Pakistani fears grow of fresh international criticism

Opposition backtracks on N-bomb

By Farhan Bokhari in Islamabad

Pakistan's opposition Moslem League party yesterday tried to backstep from a statement by Mr Nawaz Sharif, its leader, who had claimed Islamabad had produced nuclear weapons.

His comments, at a rally in Kashmir on Tuesday, sparked fears of fresh international criticism against Pakistan, which has been suspected of producing nuclear weapons for the past decade. Last week, Pakistan was accused of involvement in an effort to smuggle weapons-grade plutonium out of Germany. Islamabad denies the charge.

Pakistan and India have fought two wars over Kashmir which both nations say belongs to them. They came near a third war in 1990, and many fear that any future battle could quickly escalate into a nuclear exchange.

Like India, Pakistan is believed to have all the necessary components for a bomb and the ability to assemble one in a matter of days or even hours.

Pakistan's military and political leaders say the nuclear programme is necessary to deter its arch-rival India. But successive governments, including Mr Sharif's, have maintained the country has stopped short of building a bomb.

Mr Sharif refused to answer questions from journalists after a three-hour meeting of his party's top leaders in Islamabad yesterday.

Instead, Mr Chaudhary Shujaat Hussain, an opposition senator, accused the government of Ms Benazir Bhutto of "exploiting the issue surrounding Mr Sharif's statement, to divert attention from a planned opposition campaign next month".

But some officials privately suspected Mr Sharif had sparked the controversy possibly in an effort to seek public support, especially from nationalists, ahead of the anti-government protest planned to begin in about three weeks.

Others, however, suggested he had probably miscalculated the sensitivity of the issue. "Sharif must now be thinking it was wrong to make such a statement in public. The nuclear (proliferation) issue can be extremely testy in the west," one senior western diplomat said last night.

Meanwhile, the Pakistani government lashed out at the opposition leader and reiterated its claim that the country's nuclear programme was only for peaceful purposes.

"He (Mr Sharif) has taken it on himself to topple the government at all costs, even if it's at the cost of the national interest," Mr Sardar Asseff Ahmed Ali, foreign minister, declared in an interview on state television last night. "We do not intend to make nuclear weapons.

"His (Sharif's) remarks are based on total fabrication," he added.

Syrian voters face limited choice

By James Whittington

There were no official campaign debates, no opinion polls and no election manifestos, but voting in Syria's parliamentary elections opened yesterday with more than 7,000 candidates standing for 250 seats in the People's Assembly.

Voting ends today and the results are expected at the weekend.

Since all important policy issues, such as the Middle East peace talks and Syria's foreign policy are strictly off-limits, voter choice was severely limited. Not only did all the candidates campaign in support of President Assad's policies, but the distribution of seats means that only one third of the assembly is directly elected. The others are chosen by the two official political parties. The ruling Baath party nominates 120 of its party members and the National Progressive Front (NPF), which is itself under the Baath party, is allocated 40 seats.

The rest is left to the "independent" candidates who in this election have been dominated by Syrian businessmen keen to play a role in pushing through faster economic reforms. Many are frustrated at the slow pace at which Syria is gradually liberalising its economy.

With Syria's considerable potential for economic growth constrained by state monopolies and command-economy structures, the business community is keen to see a representative voice in the parliament and the independent vote is expected to swing its way.

Sri Lanka plans to lift Jaffna embargo

Sri Lanka's new government is planning to remove an economic embargo on the northern Jaffna peninsula controlled by Tamil rebels, Mr Anuruddha Ratwatte, deputy defence minister, said yesterday, Reuter reports from Colombo.

"We are discussing lifting the embargo with the service chiefs because we want to relieve the pressure on the local population," he stated. The people of Jaffna were suffering from a scarcity of food, and high prices of basic goods.

The previous government imposed a goods embargo on the north covering 42 items, including batteries, electronic toys, sweets, bullion, medicines, fuel and matches. It said the goods could be used by the Tamil rebels in their war against government forces.

The Liberation Tigers of Tamil Eelam have been fighting in the north and east for a separate state for their minority Tamil community. Their stronghold is Jaffna.

Mr Ratwatte said the government's priority was to end the war, which has cost more than 30,000 lives, through a negotiated political solution. "The prime minister has asked them to come for talks. We are waiting for a response."

The government would confine to the north and east a state of emergency, enforced countrywide after last week's parliamentary elections. The People's Alliance triumphed in last week's election, defeating the United National party which had ruled for 17 years.

UN to study Kuwaiti claims from Gulf war

By Frances Williams in Geneva

The United Nations Compensation Commission charged with recompensating victims of Iraq's 1990 invasion of Kuwait is to start examining a $1bn (£600m) claim from the Kuwait Oil Company for the cost of putting out hundreds of oil well fires, Frances Williams reports from Geneva.

The fires were deliberately started by Iraqi troops as they retreated from the US-led allied advance.

The commission, which has so far received a total of nearly $160bn in claims, has already begun to pay out small amounts of compensation to individuals but this is the first big commercial claim it has tackled.

The reimbursement requested by the Kuwait Oil Company, "in excess of" $950m, is part of an overall compensation demand for nearly $100bn filed by the Kuwaiti government. Other claims relate to damage to oil reservoirs and loss of crude oil production following the oil well fires.

An expert panel will be set up to assess the Kuwait Oil Company claim which the commission describes as of "symbolic character" for Kuwait "because of its economic, environmental and health hazard connotations".

However, even if agreed, the compensation commission has no money at present to reimburse the company. Satisfaction of this and other claims will have to await funds generated by UN-approved Iraqi oil sales.

NEWS IN BRIEF

Supermarket sales up in Japan

Supermarket sales rose in Japan last month for the first time in 23 months, as tax cuts and a hot summer spurred spending, Gordon Cramb reports from Tokyo. The Japan Chain Stores Association said yesterday that July data from member outlets showed an increase of 2.8 per cent on the same month of 1993. Food sales rose 2.6 per cent, with soft drinks in demand, while turnover in home electric appliances jumped 15.9 per cent, reflecting purchases of air conditioners and fans.

Tax rebates accorded in a government stimulus package for the economy fed through into pay packets from late June, and have yet to show up in other consumer spending data. Tokyo department store sales for July showed no revival – nationwide figures are due today – although such store groups have suffered as a result of customers switching to discount retailers.

Evidence of a consumer-led recovery durable enough to outlast the heatwave remains thin. Based on less timely figures covering the three months to June, the Ministry of International Trade and Industry said yesterday sales of Japanese retailers as a whole were down 2.4 per cent from the second quarter of last year.

TV ratings row erupts

A.C. Nielsen Company of Japan, the Japanese arm of the US television ratings group, is at the centre of a growing row within the country's closed television rating and advertising industries, Emiko Terazono reports from Tokyo.

The company has been accused by Japanese television networks of creating "confusion" within the advertising sector with its new rating system, which it plans to introduce in November. Nielsen wants to launch a system based on individuals, rather than households as currently offered by Video Research, a rating agency owned by television networks and leading advertising companies. The association of private television networks yesterday demanded that Nielsen retract its plans, saying that the new system was unreliable, and that a "consensus had yet to be reached among parties concerned".

Although the Japanese television advertising market has become one of the largest in the world, it has been tightly guarded by a few large companies, and the television networks, which charge corporate sponsors with high fees based on the ratings. Companies placing advertisements have been increasingly frustrated with Video Research's outmoded ratings system based on households, where it didn't matter whether "a cat or dog was watching as long as the TV was switched on".

China starts HK planning

China's National People's Congress (NPC) yesterday started discussions on disbanding Hong Kong's three tiers of government, which it plans to do on resuming sovereignty on July 1, 1997, Louise Lucas reports from Hong Kong. The NPC Standing Committee, is discussing a motion to terminate the existing structure and build new councils after the takeover. This is in keeping with China's repeated refusals to honour the extended democracy inherent in election to the new councils following the passing of Governor Chris Patten's political reform bill on June 29.

NEWS: THE AMERICAS

SHOCK WAVES HIT DEFENCE CONTRACTORS

Pentagon in bid to cancel new weapons

By George Graham in Washington

A Pentagon order to examine delaying or cancelling most of the armed services' biggest new weapons systems has sent shock waves through the defence industry and Congress.

Defence contractors, while officially silent on an issue that they say is the Pentagon's decision, are warning that serious cuts in procurement programmes could mean the US will enter the second decade of the next century with ageing equipment and no technological edge over its opponents.

And some members of Congress say the order, which tells the services to produce plans for cancelling or postponing 10 of their largest equipment projects in order to fit inside the budget envelope, is new evidence that the Pentagon needs to rethink last year's Bottom Up Review.

The review spelt out the force structure that would be needed in order to be able to fight two nearly simultaneous major regional conflicts. But some critics say that goal is too ambitious to fit in today's budget - either the mission must be scaled back, or the money available for defence must be increased.

"Now the question is whether they are going to be true to the Bottom Up Review with the budget they have. It might make the Congress and the administration think whether they are going to abandon that or find more money," said Mr Don Fuqua, president of the Aerospace Industries Association.

The order to rethink the major weapons programmes, which came in a memorandum from Mr John Deutch, the deputy defence secretary, has also anguished members of Congress, who have only just agreed on the final version of their defence authorisation bill for next fiscal year.

Although the Deutch memo is part of the budget process for fiscal 1996, some members are irked by the thought of wasting money on programmes which already face the axe.

The programmes targeted by Mr Deutch include the air force's F-22 fighter, the army's Comanche helicopter, the navy's Aegis destroyer and the marines' V-22 Osprey tilt-rotor aircraft.

Critics say capability must be scaled back, or the money available for defence must be increased

Mr Garry Riley, vice-president of Lockheed and project manager for the F-22, declined to comment on the Pentagon's plan, but argued that the F-22, which would replace the current F-15 Eagle and is built jointly by two Lockheed divisions and Boeing, would be needed in the 21st century.

"The F-15 is a super airplane. It is able to hold its own with today's threat. But 20 years from today it won't be able to hold its own and that's why we need the F-22," Mr Riley said yesterday.

Mr Deutch stressed that his list was of candidates for cancellation or postponement, and no decisions had yet been made. But he acknowledged that the budget crunch was forcing the Pentagon to trade some of its long-term modernisation in order to maintain good operating conditions for the troops today.

"The fact of the matter is we are delaying modernisation and capitalisation for near-term readiness and people," he said, adding that the less sophisticated enemies faced by the US today left some room to do this.

Cuban exiles await the green light from US

James Harding senses a growing feeling of optimism among the country's expatriates in Florida

The 2506 Brigade is in a belligerent mood. At its Miami headquarters, the members of the Bay of Pigs invasion force that made an abortive bid to overthrow President Fidel Castro in April 1961 think it is time to take another shot at the Cuban leader.

"We sense this is the beginning of the end," says Mr Jorge Marquet, former infantryman in the brigade's 5th battalion. "A revolution is able to succeed at any moment. 2506 Brigade wants to be with our brothers in Cuba. We are again willing to sacrifice our lives."

Washington is unlikely to share some of the brigade veterans' enthusiasm for another US-sponsored expeditionary force. The Bay of Pigs invasion, in which some 1,500 anti-Castro Cuban exiles were landed on the island's southwest shore in a US-financed and directed operation only to be defeated and captured within four days, is widely seen as an exemplary military bungle.

However, 2506 Brigade veterans include some of the most prominent members of the Cuban American community. Together, and represent an influential cross-section of opinion.

Most conspicuous and politically astute of the 2506 alumni is Mr Jorge Mas Canosa. Mr Mas, a member of 2506 Brigade's naval force and now one of Miami's leading businessmen, is the founder and chairman of the Cuban American National Foundation, the community's most powerful lobby.

On Friday Mr Mas flew up to Washington with Florida's Governor Lawton Chiles for a private meeting with President Bill Clinton after the US broke with 28 years of policy and announced that Cuban refugees would no longer be welcomed in the US. Instead, they would be taken to a detention camp at the US Naval Base at Guantánamo Bay in Cuba.

Following the meeting the US announced it would tighten its embargo on the island, a move the foundation endorsed. "We support the whole package," one official said.

However, not all Bay of Pigs veterans support the bar on refugees entering the US. Mr Arturo Cobo, 3rd battalion veteran and director of the Key West Transit Centre for Cuban Refugees, advocates an international embargo and rejects the new detention policy.

His priority is "assisting my sisters and brothers escaping Cuba for freedom in the US." Despite the change in policy that has ended the tide of Cubans coming through his centre, Mr Cobo keeps the doors open in the hope that "things will get back to normal immigration policy."


President Fidel Castro: Cuban exiles hope rising unrest on the island will unseat him Reuter

Adopting an even tougher line is Mr José Miro, 2nd battalion infantryman and current president of the Brigade. Mr Miro is drawing up plans for a new Cuban-American invasion force. On Monday night Mr Miro, a Cuban-trained lawyer and now retired life insurance salesman, met his board of directors at the brigade's headquarters and memorial hall.

On the back wall of the meeting room hang the pictures of the 114 Bay of Pigs martyrs; left of the speaker's podium a perspex box contains a model of Havana's future Cuban Memorial Museum which will chart the fight for independence from the battle against the Spanish to the overthrow of Fidel Castro.

At the top of Mr Miro's agenda was the need to start recruiting a new force to overthrow the Cuban president. Mr Miro did not foresee any problems in gathering the 25,000 people he estimates he needs to defeat Mr Castro.

"All we need from the US government is the equipment and a green light," he says. He subscribes to the pressure cooker theory - if the Cuban people are forced to stay under deteriorating conditions caused by a full blockade, they will ultimately rise up and overthrow their oppressor.

However, Mr Castro's imminent downfall has been predicted for many years. In front of Mr Miro's office hangs the 2506 Brigade standard. It was handed to President John F. Kennedy after the US paid a $53m ransom for the release of Bay of Pigs captives held in Cuba for 20 months.

At the presentation in Miami's Orange Bowl, President Kennedy said: "I can assure you that this flag will be returned to this brigade in a free Havana."

That was December 1962 and the standard is still in Miami.

Durable goods orders fall 4.2%

By James Harding in Washington

US durable goods orders fell 4.2 per cent in July, the biggest decline in 2¼ years, the Commerce Department reported yesterday.

The drop in demand surprised analysts, many of whom had been predicting a moderate rise following strong increases of 1.2 per cent in June and 1.4 per cent in May.

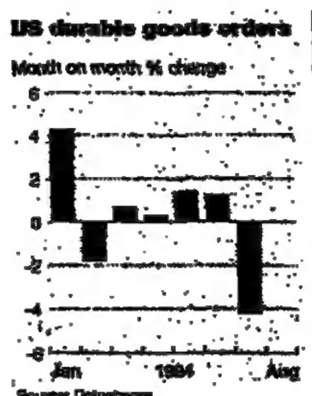
The drop in new orders by $6.4bn to a seasonally adjusted $144.9bn was largely attributed to a decline in orders for transportation equipment, which fell by 15.8 per cent last month to an adjusted $31.91bn.

The substantial fall reflected the growing practice in the motor vehicle and parts industry of shutting down for two weeks in July, the Commerce Department said. Analysts expected a resurgence of motor industry orders in August and September as 1995 models went into production.

The 4.2 per cent drop was the largest month-on-month drop since a 5.4 per cent drop in December 1991. But new orders are up 13.3 per cent over the same period a year ago.

Mr Ron Brown, commerce secretary, said the drop in durable goods orders did not indicate an economic slowdown. "We think the economy is ticking along well," he said.

The markets reacted positively. Although analysts had predicted a moderate rise in durable goods orders of between 1 per cent and 3 per cent, the drop seems to have been welcomed as evidence there will be a slowing in economic growth in the second half of this year. Mr Ram Bhagvatula, Citibank's chief economist in New York, welcomed the drop, saying that in combination with the Federal Reserve's rate rise last week, the economy could expect to see a moderation in production in the second half of the year.



Source: Datastream

Zedillo vote passes 50% mark in Mexican poll

By Damian Fraser in Mexico City

Mr Ernesto Zedillo of Mexico's ruling Institutional Revolutionary Party won more than 50 per cent of the vote in Sunday's presidential election, according to the latest figures released by the Federal Electoral Institute.

The PRI vote has edged above the symbolically important 50 per cent mark thanks to its strong support in rural areas, where ballots have been counted last. With about 90 per cent of results in, the PRI vote stood at 50.1 per cent, the centre-right National Action Party at 26.8 per cent, and the leftist Party of Democratic Revolution at 17 per cent. The turnout in the election was 77.6 per cent, far higher than had been predicted.

While the election is widely regarded to have been much cleaner than those in Mexico's past, Civic Alliance, the most prominent group of election observers, has reported widespread irregularities that in says call into question the legality of the result.

In 34 per cent of polling booths surveyed the vote was not secret, in 16.5 per cent voters were put under pressure, in 10.2 per cent at least one person voted who was not on the polling station's electoral list, and in 8.2 per cent people were allowed to vote who had indelible ink on their thumb suggesting they had voted before.

The latest polling figures show the PRI having won all 32 states in Senate elections, having narrowly defeated the centre-right PAN in the state of Jalisco, and at least 278 of the 300 districts in the election for the Chamber of Deputies. Under Mexico's complex electoral system, which assigns a proportion of congressional seats to the opposition, the ruling party will have 95 of the 128 seats in the Senate, and 300 of the 500 seats in the Chamber of Deputies.

The big PRI victory led to falls in long-term interest rates yesterday, with rates on one-year paper declining to 12.43 per cent. However 28-day paper yields rose and the stockmarket was down nearly 1 per cent by mid-morning.

NEWS: WORLD TRADE

Clinton pulls out the stops for trade deal fast-track

By Nancy Dunne in Washington

President Bill Clinton will win an important victory if he succeeds in his attempt to get Congressional renewal of fast-track authority to negotiate new trade deals along with legislation to implement the Uruguay Round.

His trade officials have already had to severely weaken language allowing inclusion of labour and the environment in future deals. This has infuriated many Democrats but also left unsatisfied many Republicans, who would like totally to forgo the option.

Mr Harry Freeman, a veteran of many trade battles in Washington, has concluded that even if the president gets his fast-track, he will have paid a heavy price. "This fast-track has less freedom for the executive branch," he said. "I've never seen a fast-track that had such specificity in the negotiating goals."

Besides excluding labour and environment as negotiating aims, the current fast-track language agreed with House Republicans specifically endorses negotiating trade in services, financial services and telecommunications.

It orders the Administration to "maintain vigorous and effective disciplines on subsidies practices with respect to civil aircraft products" under the multilateral subsidies code.

The fast-track concept was developed in 1974 when Mr Dick Rivers, then a staffer at the Senate finance committee, wrote a memo suggesting Congress cede to the executive branch authority to negotiate trade deals and promise that any trade agreements reached would be considered by Congress on "a fast-track."

This meant that any deal would get a simply up or down vote with no Congressional amendments.

"Each house of the Congress can even now change the procedures in a New York minute," he says now. "But without a fast-track there won't be significant trade negotiations."

This is well understood by the Clinton Administration, which could have waited until next year to push for a fast-track.

But it badly wanted the authority for the president when he goes to Jakarta for the annual meeting of the Asian Pacific Economic Council, and Miami for the Summit of the Americas.

The Apec agenda has grown increasingly ambitious; it could propose negotiations for a regional investment treaty at the very least. In the Americas, there is a free trade deal long promised to Chile to pursue, and the hemispheric economic integration under study.

The former executive director of the MTN Coalition, the business group which lobbied for years for passage of the Uruguay Round, Mr Freeman was sceptical about a fast-track fight this year. "But when the administration decided to go for fast-track it crossed the Rubicon. There is no backtracking. A defeat means red faces in Jakarta and Miami."

Defeat is still possible. But Mr Freeman is more optimistic about its approval than some trade officials. But, he said, "it has become a matter of politics rather than trade policy".

Ford and Mazda plan Thai truck deal

By Emiko Terazono in Tokyo

Mazda Motor, the Japanese carmaker, yesterday announced plans to launch a joint venture with Ford of the US to produce pick-up trucks in Thailand. Ford holds a 24.5 per cent stake in the Japanese group and this year has strengthened its representation on the Mazda board.

The companies have started feasibility studies, to be completed next spring, of the south-east Asian pick-up truck market, after which details of the venture will be decided. Production is set to start in 1998.

The companies plan to make a pick-up truck based on Mazda's multi-purpose vehicle. Mazda has a joint venture production line with Japanese and Thai companies in Bangkok. Mazda said the Ford venture would run separately from the existing plant, now working at full capacity.

Mazda holds 4 per cent of the Thai pick-up truck market, trailing Japanese car makers Isuzu, which holds 31 per cent, and Toyota, at 27 per cent. Ford only has a 0.2 per cent share. Pick-up trucks account for 90 per cent of Thailand's commercial vehicle market.

Japan has eyes for Vietnam's market

Many companies are studying the possibility of investing, writes **Michiyo Nakamoto**

When Japan's Prime Minister Tomiichi Murayama arrives in Hanoi today, his Vietnamese hosts will be hoping that their guest, in true Japanese tradition, does not arrive empty-handed.

For whatever small gift Mr Murayama may bring with him, whether it be a rumoured expansion of trade insurance coverage or even a murmur of support for greater trade, is likely to have a favourable effect on economic relations between the two countries.

While Japan is Vietnam's largest donor of official development aid, and responsible for 27 per cent of the trade Vietnam does with the rest of the world, it has contributed only about 5 per cent of the value of foreign direct investment in Vietnam and ranks seventh after countries such as Taiwan, Hong Kong and others in the Asia-Pacific region.

"In many respects, the conditions are not yet ripe for Japanese companies to invest in Vietnam," says Mr Morihito Kosuda, of Nissho Iwai, a Japanese trading and publishing company.

It is true that in the past few years, interest in Vietnam both as a market and manufacturing base has spread considerably among Japanese businesses. A wide range of companies, from machinery makers to financial institutions, have opened offices in Vietnam; some manufacturers have started to implement local production plans.

Mitsubishi Materials and Nihon Cement have tied up with a Vietnamese public corporation to build the country's largest cement facility with a capacity of 2.3m tonnes a year.


Japan's Murayama: Hanoi hopes he comes with gifts Reuter

Mitsubishi Motors and Mitsubishi Corp, the trading house, have set up a joint venture company with Proton, the Malaysian vehicle maker, and a Vietnamese public corporation, to make small buses. Production of an initial 1,000 buses a year is scheduled to start early next year and the company hopes to make passenger cars eventually.

Showa Plastics and Sanyo, the consumer electronics company, through their joint venture company in Singapore, are building a factory in Ho Chi Minh City to manufacture TV exteriors and video-tape recorders which they hope will eventually manufacture air conditioners, washing machines and refrigerators.

Fuji Bank, which is doing buoyant business guaranteeing letters of credit issued by Vietnamese banks, hopes to upgrade its office in Vietnam to a branch next year so that it can meet the growing needs of Japanese businesses.

Many more companies, including Sony and Toyota, are studying possibilities in the Vietnamese market.

But on the whole, Japanese companies have been relatively slow to respond to the emerging opportunities in Vietnam.

"The Vietnamese market will eventually grow into a very big one, there is no disagreement on that," says Mr Kosuda. "Where opinion is divided is on the short to medium-term prospects."

Japanese companies frequently cite the poor state of Vietnam's infrastructure as a deterrent to investment.

"If you go to Ho Chi Minh City, this is immediately noticeable," says Mr Hiroshi Matsumoto, of the trading company Mitsui, which has been exporting oil and sea food from Vietnam to Japan and importing machinery and chemicals from Japan. "Power shortages are frequent and the basic infrastructure, such as ports and roads, is lacking".

The relative lack of information on Vietnam and the difficulty of procuring materials, combined with the inherent caution that Japanese businesses have towards investing overseas, has also held back many companies.

"Vietnam is going through a period of reconstruction after the war and of transition from a social planning economy to a more market-oriented one at the same time," Nissho Iwai's Mr Kosuda says. "That makes it very difficult to ascertain the true state of the markets there."

Honda, for example, despite having more than 90 per cent of the Vietnamese market for motorbikes, exports neither motorbikes nor vehicles. Many were sold into Vietnam prior to the Vietnam war, while others have come in from third countries. "We don't have the information and the know-how to justify the considerable investment that would be required to start local manufacturing," a company representative says.

It is, anyway, early days for Japanese companies, which tend to take a long-term view, says Mr Kosuda. "It is only six months since the US embargo was lifted, and some Japanese companies only started to think about Vietnam after that."

Another powerful disincentive for Japanese companies, says Mr Kosuda, is the lack of an official government system supporting Japanese trade and investment in Vietnam. "The only formal agreement Japan has with Vietnam is the bilateral aviation accord signed in May."

Vietnam has much that Japan is seeking. Unlike most other oil sources in south-east Asia, Vietnam produces oil that is the right price and quality for the Japanese market, especially the electricity industry, with Japan buying 70 per cent of Vietnamese oil, according to the Japan External Trade Organisation. Oil, sea food and garments, all of which face growing demand in Japan, are Vietnam's biggest export income earners.

If the Japanese government now gives a concrete sign of its support for greater trade and investment in Vietnam, it will be sending a strong message to Japanese businesses, Mr Kosuda adds.

NEWS IN BRIEF

Lucas in German brakes contract

Lucas Heavy Duty Braking, a Lucas Industries subsidiary, has won a contract worth up to £20m ($12.9m) to supply disc brakes to MAN, the German truck-maker, for its F2000 range of heavy trucks, Reuter reports. Lucas disc brakes are already fitted to the top-of-the-range 500hp F90 tractor unit; MAN will now make them available on all models as an alternative to front axle drum brakes. Drum brakes will remain a standard fitting on the rear axle. Production at Lucas' factory in Cwmbran will be increased to meet the new contract.

Racal to supply Russian group

Racal Messenger, part of Racal Electronics, has won a contract worth more than £2m ($1.29m) to supply the Russian telecommunications service, Central Telegraph, with a wireless data network for the Moscow region, Reuter reports. Racal Messenger has also signed a distribution agreement with Sprint Networks, Central Telegraph's joint venture company with Sprint International, which covers the rest of Russia. The initial contract is for the supply of Radio-Pads and base stations for a communications system, which will include an on-line credit and debit card authorisation and security service. Trials of the system with leading banks in Moscow should begin in the next two months.

Australian order for Ericsson

Ericsson, the Swedish telecommunications company, said it had won orders worth SKr705m (£59m) to supply Telecom Australia with analogue and GSM digital mobile equipment, Reuter reports from Stockholm. "This brings the value of Telecom mobile orders from January 1, 1994 to about SKr1.1bn," Ericsson said.

The equipment provided by Ericsson will include AXE switches and radio base stations, most of which will be manufactured at the company's facilities in Melbourne. "Ericsson's Australian activities in public switching and mobile switching have increased in recent months following the selection of the company as a strategic partner by Telecom Australia," it said.

Vietnamese-Czech pact signed

Vietnamese deputy prime minister Tran Duc Luong, on a tour of former communist countries in Europe, this week signed a pact with the Czech Republic aimed at reviving trade between the once-close allies, Reuter reports from Prague. Beyond the agreement, which stipulates trade and payment conditions, the Czech finance ministry said a proposal on mutual protection of investments was being negotiated at the technical level.

US sees air travel up 5% in 1993

The US Transportation Department says 1993 was the busiest year ever for air travel between the US and other countries, with 92.5m passengers, up 5 per cent from 1992, AP reports from Washington.

US airlines carried 54 per cent of that traffic, an increase of 1 percentage point from 1992, the department said.

It was also a record year for international air freight, totaling nearly 4.7m tons, a 10 per cent increase over the previous year. US airlines carried 41 per cent of the freight traffic, also a one-point increase over 1992.

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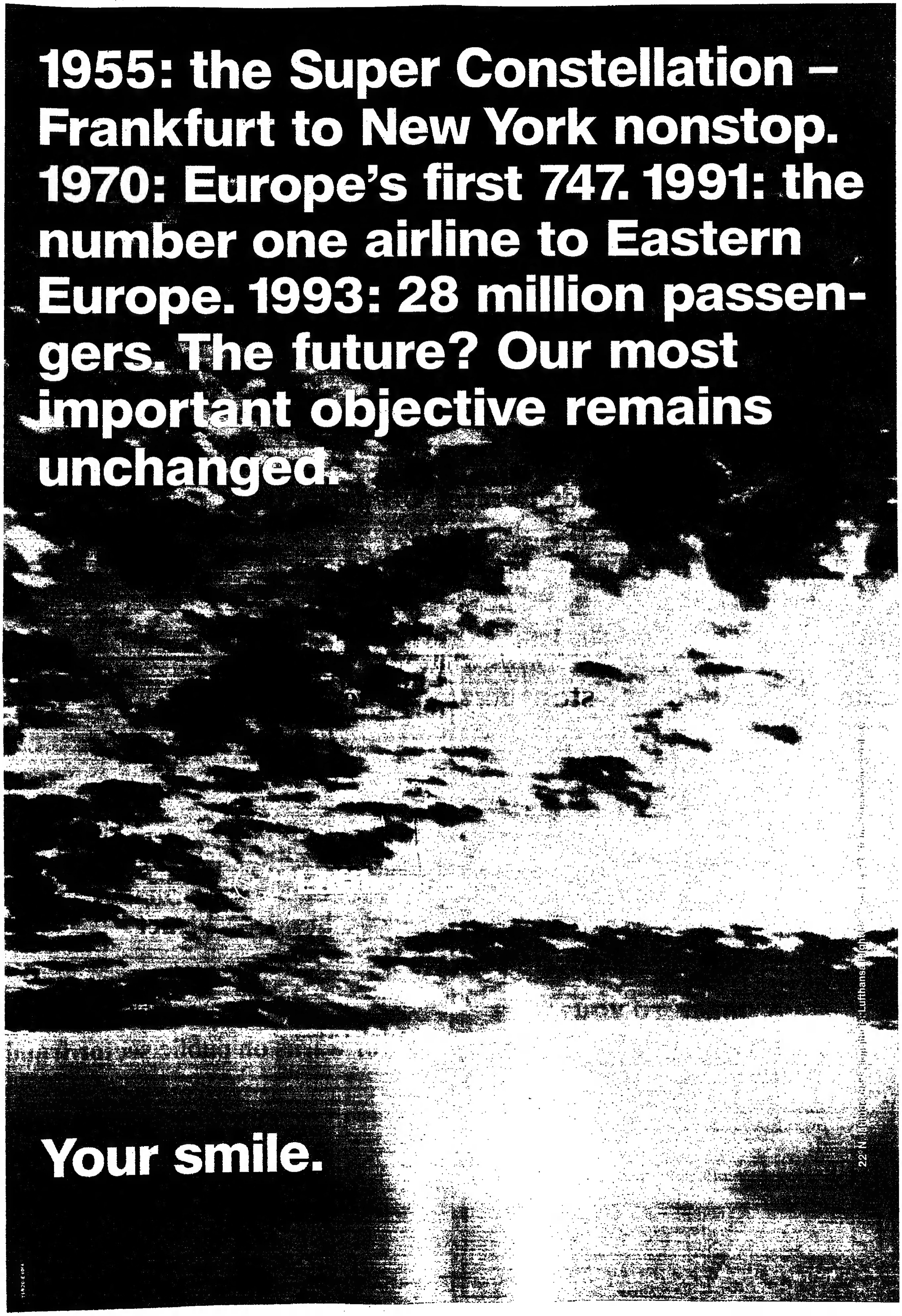


Swan Hunter survival prospects fading

By Chris Tighe

The survival prospects of Swan Hunter, the Tyneside shipbuilder in receivership, dimmed yesterday with a Ministry of Defence disclosure that disagreement on the price at which the company's sole contract should be transferred to its only prospective purchaser was a "major obstacle".

The chances of a sale of Swans to French-based Soffia/ Constructions Mécaniques de Normandie depend on a deal in which CMN would take on Swans' frigate contract from the MoD and sub-contract it to receiver Price Waterhouse.

Price Waterhouse has said that unless CMN begins paying Swans' 100-strong technical and design team by next Wednesday, August 31, they will be made immediately redundant. This would effectively end the company's chances of bidding for future work and being sold as a going concern.

Yesterday the MoD claimed CMN was unwilling to negotiate on the price for the transfer of the contract for the three Type 23 frigates Swans was fitting out when it went into receivership in May 1993, following its failure to win a crucial MoD helicopter carrier order.

"Price is the major obstacle and they are unwilling to negotiate on price," said the MoD. It added there was "little benefit" to the MoD, the defence budget or the taxpayer in CMN's "very conditional" agreement but it remained prepared to negotiate.

CMN also still has to satisfy a number of necessary requirements, the MoD said, including financial and performance guarantees.

Last month, the MoD and CMN agreed a price of £57.7m for the contract for the three frigates. Since two have been completed and handed over, between 10% and 15% of this sum, relating to the last frigate due for completion in late October, would actually change hands.

CMN's lead negotiator Mr Fred Henderson said yesterday the MoD now wanted to drop the price to £57m.

"We'd say the key obstacle is the MoD's unwillingness to go through with the price it agreed on July 19," he said.

Mr Henderson said that while CMN would not make any profit out of the sub-contract frigate deal, without it the sum it could offer for Swans would be lower, and therefore not acceptable to the receiver.

The MoD refused to discuss precise figures but said it had reduced the price because circumstances had changed, with Swans' failure last month to win the order for the Navy's landing ship Sir Bedivere, and the reduced element of risk as the last frigate was now nearer to completion.

Multi-channel television to have live trial

By Raymond Snoddy

Plans to introduce 150-channel television in the UK will take a step forward next month with the first live demonstrations of a system than can squeeze eight television channels into the space now occupied by one.

National Transcommunications, the privatised engineering division of the old International Broadcasting Authority, plans to demonstrate the digital system at the International Broadcasting Convention in Amsterdam on September 18.

NTL has a development deal with Mr Ruper Murdoch's News Corporation and PACE, the UK consumer electronics group which specialises in satellite television equipment.

All the signs are that News Corp is planning to launch a huge number of digital television channels in the UK by next autumn and possibly even earlier on its Star Television system in Asia.

The system to be demonstrated in Amsterdam will use compression technology to squeeze eight conventional television channels onto half a satellite transponder – the capacity which normally transmits a single channel.

NTL is establishing an international reputation in digital compression technology. Many specialists believe the organisation, which eventually plans a Stock Exchange flotation in London, is in the lead in establishing the latest technical standards for digital television.

Next month's demonstration will use professional television receivers costing around £5,000 but it is believed the cost of a special digital set-top box for consumers can be brought down to £500 for the launch of the service. Costs would be expected to fall rapidly once volume orders are received.

The main new use of the vast number of channels would be to introduce "near video-on-demand." This involves devoting a large number of channels, possibly as many as 50 or 60, to a small number of the latest top movies.

Separate showing of the same films are staggered so that the viewer – who will pay a fee per film watched – is only 15 or 20 minutes away from the start of a recent hit movie.

In addition there would be an increasing number of specialist channels - the equivalent of magazines of the air.

SES, the Luxembourg-based company which runs the Astra satellite system plans to launch two new satellites next year devoted entirely to digital television. It is not yet clear whether next month's demonstration will use Astra or Eutelsat, the European satellite organisation which is increasingly pressing Astra.

Cumbria mountaineer Chris Bonington is leading a protest against plans to expand military training facilities in the Northumberland National Park. The British Army wants to move its heaviest guns and multi-launch rocket systems into the area. Mr Bonington is calling for a public inquiry and is to walk across the Northumberland Army ranges in protest Picture: Stewart Bonney

Reynolds to meet US delegates

By Tim Coone in Belfast

Mr Albert Reynolds, the Irish prime minister, is to meet an influential Irish-American delegation in Dublin today prior to the group travelling to Belfast tomorrow to meet Mr Gerry Adams, president of Sinn Féin, the political wing of the IRA.

The delegation is headed by former Congressman Mr Bruce Morrison, is considered a close friend of US President Bill Clinton. Mr Morrison is expected to impress upon Mr Adams the desire by prominent Irish-Americans to see an IRA ceasefire in return for the lobbying that has been done on behalf of nationalists in the US, and which resulted in Mr Adams obtaining a temporary entry visa to the US earlier this year.

Mr Adams said earlier this week he considered his meeting with Mr Morrison's group to be important.

However, an Irish government spokesman yesterday downplayed the significance of Mr Reynolds' planned meeting with the delegation, saying: "It is not high-powered or vital to the whole (peace) process."

The delegation is also to meet leaders of the nationalist Social Democratic Labour party and the Alliance party in Northern Ireland, but last minute requests to meet unionist leaders have been turned down by both the Ulster Unionist party and the hardline Democratic Unionist party.

In a sign of growing tensions within the SDLP over the peace process, Mr Joe Hendron, SDLP MP for West Belfast, said he sympathised with the Unionists for not meeting the US delegation because "they have identified fairly strongly with the nationalist side. There is a question mark over their credibility in terms of the promotion of peace."

With an IRA ceasefire now widely expected to be announced within two weeks, rifts are also appearing in the unionist camp after a member of the the small Progressive Unionist party yesterday accused the Rev Ian Paisley, DUP leader, of attempting to destroy efforts to bring the UUP and DUP closer together.

Britain in brief

Archer says share order a 'grave error'

Lord Archer, the best selling author and former Conservative Party deputy chairman, last night said it was a "grave error" to have placed the orders to buy shares in Anglia Television, which have been the focus of a Department of Trade and Industry investigation into alleged insider trading.

In a statement issued by his solicitor, Lord Mishcon, he said that "it was a grave error when his wife was a director of Anglia to have allowed his name to be associated with the purchase and sale of shares in that company on behalf of a third party".

His statement continued: "His deepest regret is the embarrassment needlessly caused to Lady Archer in this matter".

Last week the Financial Times disclosed that Lord Archer's personal orders to buy Anglia shares were the subject of the five month DTI investigation. Since then, he has refused until last night to make any statements on the record about the affair.

Mr Michael Heseltine, secretary of State for Trade and Industry, decided at the end of last month not to launch any prosecutions after the completion of the inquiry and after receiving independent legal advice.

Lord Archer said last night that all the facts about the transactions which have been disclosed in the press over the past week were known the DTI inspectors.

Lady Archer has made no public comments about the Anglia share transactions. Anglia, now a subsidiary of MAI, said yesterday that its board of directors is "happy to accept that she did not pass on inside information".

Amoco in N Sea turbine move

Wind turbines have been chosen to provide electricity on two natural gas platforms in the North Sea in what is believed to be the first such application of alternative energy sources.

Amoco, the US oil company, is spending £200,000 to install wind-powered generators to power equipment on its unmanned Davy and Bessemer platforms off the East Anglian coast. The bigger manned platforms are unsuitable candidates for wind turbines because of their large power requirements, which can approach that of a town of 30,000 people.

The company expects to reap both financial and environmental benefits from the wind turbines. It forecasts an 85 per cent reduction in spending on diesel, the fuel normally used to power generators on unmanned platforms, and a 75 per cent cut in hydrocarbon exhausts.

It will also be able to reduce the frequency of visits to the platforms by maintenance staff.

New search for tax loopholes

Tax advisers were yesterday trying to find new ways through the ever-diminishing loophole which allows companies to avoid National Insurance contributions by paying employees in kind.

Mr Peter Lilley, social security secretary, announced on Tuesday that gemstones and fine wines would be treated as earnings and therefore be liable for National Insurance contributions.

The measure extended moves by Mr Kenneth Clarke, the chancellor, in the last Budget to prevent gold bars and other tradeable commodities being used to avoid contributions.

Other tricks to make payments in kind include giving high street store gift vouchers, paying for employees' holidays and buying cars for them.

Like gold bars, diamonds and wine, these are taxable benefits but they have not been widely favoured by employees because they are not as easily encashable.

Mr Martin Kaye, managing-director of Stoy Benefit Consulting, said: "It will never be the same again." He believed that one alternative for employers was to turn to antiques, which have a mature market in the auction rooms.

Disqualification moves double

The number of disqualification proceedings against company directors almost doubled between the second quarter of last year and this year, official statistics showed yesterday.

However, the number of resulting disqualification orders made by the courts against directors almost halved over the same period.

The Insolvency Service, an agency within the Department of Trade and Industry, launched proceedings against 170 directors between April and June this year, compared with 91 during the same period in 1993. The number of disqualification orders fell from 126 to 66 in the period.

Channel island price halved

Lihou Island, the smallest inhabited Channel island, priced at £1m two years ago was put back on the market yesterday at £500,000.

Lihou is a mile off the south-west coast of Guernsey, to which it is linked by a causeway during low spring tides. Its 40 acres includes the ruins of a 12th century Benedictine priory.

Lihou was first offered for sale in July 1991. Estate agents Knight Frank & Rutley in London and Swoffers of Guernsey came close to finding a buyer on three occasions.

Animal rights bomb suspicion

A series of firebomb attacks which caused £2m damage on the Isle of Wight early yesterday were probably the work of animal rights activists, police believe.

The blitz stretched the island's fire and rescue service to its limits and left the holiday island "on the verge of a major disaster" with reinforcements having to be called in from the mainland.

No-one was hurt, but the four bombs planted in shops in Newport and Ryde caused severe damage, forced people from their homes and sparked a pollution scare as asbestos sheets at a chemists shop exploded in the intense heat.

Barter man

Labour-controlled Hounslow Borough Council in west London, has appointed a full-time officer with a £30,000 budget to help set up bartering schemes. The officer has been given a one-year contract to establish local exchange and trading systems using credit units in place of money.

Lloyd's agent turns to Bermuda

By Richard Lapper

A Lloyd's agent is teaming up with a Bermudan securities house to raise fresh capital for the insurance market.

Venton Underwriting Agencies, a medium-sized agent, is turning to Butterfield Securities, a subsidiary of Bermuda's Bank of Butterfield, to raise up to £25m from UK, Bermudan and international investors.

The agency aims to use the money to increase business written by its three syndicates, numbers 376, 1038 and 1183 but does not plan to list the fund on the London Stock Exchange immediately.

The new initiative is one of a number of so called "dedicated" vehicles that are under consideration by managing agencies. Lloyd's is tipped to raise up to an extra £250m in corporate funds, allowing it to increase corporate capacity – the ability to accept premiums – by up to £500m for the 1995 underwriting year.

Institutional investors raised more than £800m for the market last year, with the lion's share of this capital invested in investment trusts supporting a range of agents and syndicates. The new dedicated vehicles could eventually become Lloyd's insurance companies.

Venton syndicates currently have a combined capacity of £185m. Syndicate 376, which writes non-marine reinsurance, more than doubled its capacity this year, increasing from less £48.9m to more than £100m.

Separately the Association of Lloyd's Members, the biggest organisation of individual Names, yesterday forecast that Lloyd's will make profits of between £900m and £1,150m from business underwritten in its 1993 underwriting year.

The forecast, based on work by Financial Intelligence and Research (FIR), the insurance analysts, is more optimistic than that made by rival analysts, Chatset, which this week predicted a profit of £800m.

Both analysts, however, expect the 1992 year of account to produce an overall loss of some £1bn. 1993 profits could also be reduced by the need to make reserves for claims stemming from business underwritten in the 1980s and earlier.

Lloyd's reports results for 1992 and 1993 over the next two years, under its three-year accounting system. The FIR forecast is in a guide published jointly by FIR with the ALM.

Auditor warns on public sector fraud

Alan Pike on how a government policy has increased risk of waste

The British government's policy of breaking up large public-sector bureaucracies has increased the risk of waste and opened more opportunities for dishonesty, the Audit Commission warned yesterday.

The commission is responsible for audits in the local authority and health sectors in England and Wales. The bodies it audits spend about £90bn and employ 3m people.

Some managers and professional staff, it said, were handling large sums of public money, regardless of their expertise or experience.

Sir David Cooksey, the commission's chairman, said in his annual report that early indications suggested the "massive changes" taking place in the public sector, with devolution of responsibility to large numbers of service providers, were leading to better management and value for money.

But teething troubles were inevitable and change brought risks as well as potential benefits, Sir David said. Accountability could be blurred as responsibilities were reallocated.

He said: "If the full benefits are to be gained, we must ensure that effective mechanisms for accountability are put in place to underpin the process of change and to ensure that the risks are minimised."

Although a study by the commission of probity in local government had shown that fraud and corruption were apparently low, Sir David said, there were "some signs that it could be on the increase". The commission will assess the extent of fraud and corruption in the National Health Service by the end of this year.

He said: "I remain concerned that some aspects of public expenditure are not subject to adequate independent scrutiny." Local authority companies, for example, were subject to audit under the Companies Act, which provided a "less rigorous regime of audit than that required by the Audit Commission for other local-authority funds". The commission would welcome legislation to rectify this.

Sir David called for an early resolution to uncertainty caused by the current review of local government structure. This was "reducing the time members and officers can devote to making their services more effective, efficient and economical".

The commission expresses concern that the standard spending assessment (SSA) process, under which the government distributes £40bn a year to local authorities and indicates appropriate spending levels, is leading to "confusion of accountability".

Neither central nor local government accepted responsibility for decisions on particular services, while the complexity of the SSA formulas hid underlying political choices, obscuring decisions and those responsible for making them.

The report noted problems of efficiency and accountability in the policy of local management of schools. While most schools had adapted well to managing their own finances, "green shoots of impropriety" were emerging in a few.

Some schools spent five times as much as others on administration, while heads of similar schools spent anything from 5 per cent to 60 per cent of their time managing budgets. A quarter of schools administered voluntary funds in ways that would require corrective action if they were public money.

MANAGEMENT: MARKETING AND ADVERTISING

Salespeople's professionalism comes under attack after an international survey, writes **Diane Summers**

Unloved and incompetent

Salesmen and women are commonly portrayed as unloved, foot-in-the-door creatures, whose superiors provide motivatation principally in the form of alternate bouts of public humiliation and recognition.

In recent weeks, salesforces have received an even worse press than usual, with revelations from the UK financial services sector of dodgy advice to clients, lack of training and poor management controls.

Now there appears to be fresh evidence of incompetence – although salespeople have some of their own grouses, too, about the ineffeciencies of their organisations.

A survey conducted by Kinnaird Communications Group, a Glasgow-based consultancy, claims that only 5 per cent of field sales staff "possess the requisite natural selling skills that make them stand out as professionals", while 35 per cent "just manage to pay their way", leaving "an astounding 60 per cent just there for the beer".

Kinnaird says it arrived at these figures after an exercise which involved: questioning about 1,000 salesmen and women operating in the UK, France, Italy and Germany; looking at sales records; and talking to chief executives, supervisors and customers. The findings, says Robert Kinnaird, managing director, were *supplemented by observations* over many years among clients' salesforces.

The elite 5 per cent of salespeople achieve about five times the sales performance level of the poorest employees, while, according to Kinnaird, much of the rest "have drifted into the profession, attracted by the freedom, car and expense account". In contrast to these findings, around half of the mediocre and poor salespeople surveyed counted themselves as outstanding *or good performers.*

The tiny portion of the day apparently spent face to face with potential customers is astonishing. Kinnaird calculates that, out the average salesperson's day, 42 per cent of the time is spent in the car, while 26 per cent is spent at home planning, having lunch, telephoning, writing reports and parking the car.

That leaves less than one-third of the time on customers' premises. However, all but perhaps 5 per cent of that time will be taken up by fruitless "cold" calls, waiting in reception, interruptions and, in the case of the poorest salespeople, inadequate advance planning and *an excess of small talk.*

Much precious face-to-face time was found to be spent talking to people with no influence on the purchasing decision. An unproductive monthly call cycle, made up of "tea and sympathy" visits, is the only *outlet for* salespeople "to find solace or escape from what they regard as a very lonely existence," says Kinnaird.

Salespeople complain of inadequate marketing and advertising support for products from head *office, poor sales literature, and* products or services provided more cheaply by competitors.

A particular irritation seems to be that few marketing managers or, indeed, chief executives, have any direct field sales experience. This point is endorsed by Paul Williams, a former sales director for Philip Morris cigarettes, and now a course director with the Chartered Institute of Marketing, the professional body which organises sales training. Says Williams: "The bane of my life is the fact that most chief executives have a financial background – probably the worst background you can have to motivate salespeople. The way you get salespeople to respond is to create the right attitudes, emotions and feelings in them."

He also believes that Kinnaird's figure of 5 per cent for the sales elite is probably about right: what sets this upper tranche apart is charisma in a sales situation, he says.

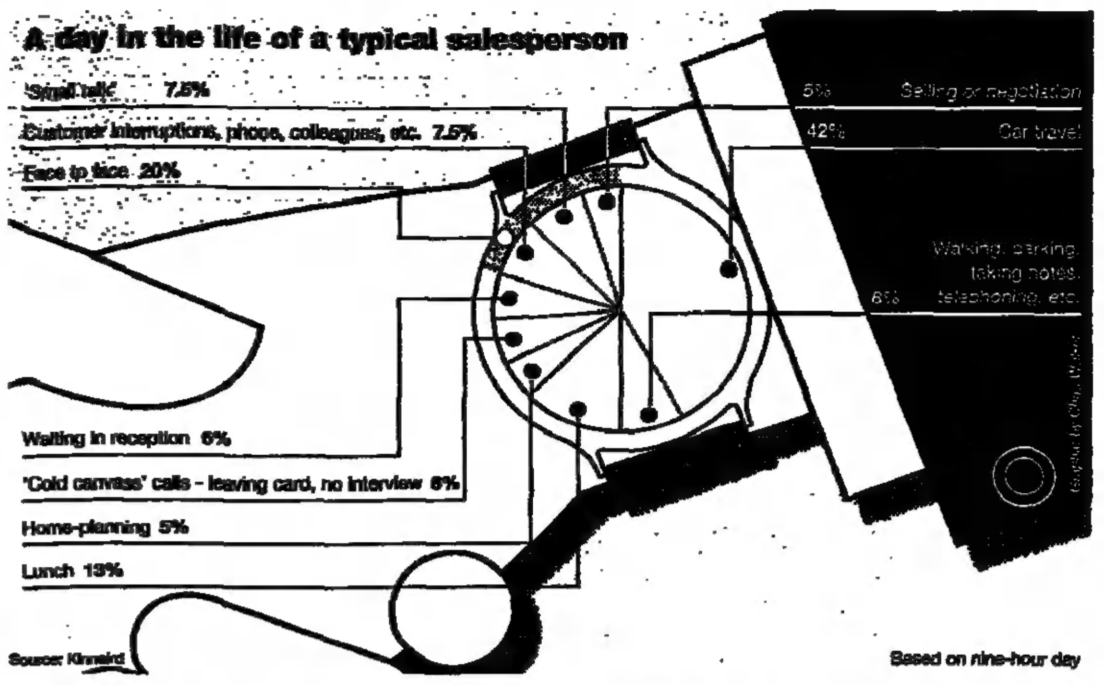
Apart from the elusive charisma, the other main qualities that make a successful salesperson are a sense of humour and good planning and preparation skills, says Williams. "They certainly also need initiative, because nearly all of the time they're on their own, as well as a *belief* in their company and *their* products or services. They've got to believe in their colleagues – the people in accounts, marketing and distribution – and finally, they have to believe in themselves."

John Hunt, a professor at the London Business School who has assembled a vast databank of occupational profiles, adds to that list of qualities, physical energy, tenacity and resilience in the face of rejection. The salesperson's primary motivator is recognition, hence the "religious events where everyone gets a prize one way or another", he says. It is not so much that effective sales staff like people but they enjoy "the game of using their own interpersonal skills to hook someone on to their sale".

Fiona Rogers, the *Chartered Institute* of Marketing's own marketing director, says there are "always going to be naturals, but the training of a salesman is absolutely critical. It's not just a question of product training in the features, benefits and uses of the product, but it's also about the techniques of selling. Good-quality training can override the lack of some of the personal skills".

As well as improving training, Rogers believes the value of the salesperson to the organisation is often not exploited. Her words will be welcomed by the unloved ranks of salespeople. "They are your front-line people. They are a most valuable information source, not just on customer attitudes and preferences, and what's going on in the *market*-place, but also what the environment is like for the competition."

A day in the life of a typical salesperson



Source: Kinnaird

Based on nine-hour day

Drink to German shares

Germans drinks lots of schnapps, but they are reluctant buyers of shares. So when Berentzen, a drinks company in north-east Germany, issued new preference stock this summer, it decided to promote its brands and shares at the same time.

The issue, which met heavy demand, was Berentzen's first. The 236-year-old company, which includes such brands as Doornkaat and Schinkenhäger and has a turnover of DM360m (£148.7m) (excluding spirits tax), raised nearly DM90m (£37.5m). To reach as wide a spread of potential investors as possible, it combined a brand marketing campaign with one highlighting its share flotation.

Not only did the company advertise the issue on television, radio, in the press and in stores, it even put details on the back of schnapps bottles. Günter Lewald, head of communications at the group, which also makes soft drinks, says such an all-out investor awareness approach is unique in Germany.

Buyers of schnapps and fruit liqueur products under the Berentzen name were invited to take part in a draw for shares. The company put labels on 5.1m bottles with details of where to write for more information on the products and the issue.

The response was not huge, with about 3,000 people writing in, but showed the message was being spread. Television spots on NTV, an all-news cable channel, produced a further 1,000 inquiries. Out of these responses, 1,500 people went further than wanting to be in the draw and asked about buying the shares.

After initial scepticism, says Lewald, the banks arranging the issue (led by DG Bank) were won over. The share draw takes place next month with 111 shares – chosen because a same-digit number is called a *schnappszahl* (schnapps number) in Germany – to be divided among 21 winners. The lucky one will get 11 shares, worth DM3,795 at the subscription price; the rest will get five each.

Andrew Fisher

Europe's uncommon markets

Motoko Rich on the diversity of consumption among individual countries

Marketing executives aiming their products at the European consumer should consider their prime audience as single 30-something homeowners who are health-conscious, employed in the community, social or personal services sector, and own at least one television.

That appears the conclusion to draw from the latest survey* of European consumer lifestyles by Euromonitor, the London-based market analyst.

In its survey of 23 countries on a range of factors from employment *patterns to birth rates since its last* poll in 1989, Euromonitor reported increasing homeownership – now accounting for 55 per cent of households in Europe – and particularly strong growth in single-person households. In western Germany and Scandinavia, for example, single people occupy a third of all homes.

Birth rate trends mean the youth market in western Europe will fade during the 1990s and the early years of the next century, while the population aged between 30 and 45 will represent the largest sector of consumers.

An increasingly health-conscious *population, says the report, has* resulted in an overall rise of two years in European life expectancy since the mid-1960s, and of 10 years since 1970.

The community, social and personal services sector represents by far the largest employment of Europe's citizens. On average, 26 per cent of the workforce in western Europe is employed in social and personal services. This figure represents a move from the traditional large employers in the manufacturing sector, which now employs about 21 per cent of the workforce. However, 23.5 per cent of employees in Greece still work in agriculture, while in the UK 57.5 per cent are employed by wholesalers, retailers, restaurants or hotels.

While European unemployment rates have been rising by a rate of at least 2 to 3 per cent since 1988, jobless levels have been rising at much higher rates in some countries. In Sweden, unemployment rose from 1.4 per cent to 5.3 per cent between 1989 and 1992, and jumped in Switzerland from 0.6 per cent in 1990 to 3 per cent in 1992. In Finland, joblessness rose from 3.5 per cent to 13.1 per cent from 1988 to 1992.

However, some consumer goods *appear to be essential, job or no job.* In every country surveyed, televisions are owned by 95 per cent of households.

Consumption trends have been affected by stagnancy in west European spending power, while levels in eastern Europe have plummeted as state subsidies have been withdrawn. Although real incomes are beginning to rise, the survey gave a "poor prognosis" for large spending on consumer items.

The survey noted, however, that general wealth was increasing in western Europe, where average per capita production in 1992 was $21,000, (£13,550) with two-thirds of that figure *devoted* to personal disposable income. In southern Europe, per capita gross domestic product ranges from $7,800 in Greece to $21,500 in Italy. In eastern Europe it dropped as low as $600 in Russia and $3,400 in Hungary, the highest in the region.

Spending habits in certain sectors varied widely between markets. Food, for example, accounts for twice as much of the household budget in Greece or Portugal – 27 to 32 per cent – as in Germany or the UK. In eastern Europe, consumers spend 30 to 40 per cent of their budgets on food, although in Hungary the proportion is 17 per cent.

As a proportion of total consumption, spending on housing is rising – at the time of the previous survey the rate was falling.

The report warns that the current mood in Europe is towards national perspectives in consumption as much as anything else.

**European Consumer Lifestyles, available from Euromonitor, 87-88 Turnmill Street, London EC1M 5QU, 071 251 8024. £495.*

TECHNOLOGY

Fungi fight on both sides in the war between people and pathogens. They have provided several of the most valuable antibiotics used to control bacterial infections but they are themselves an increasingly important target for the pharmaceutical industry.

Clive Cookson continues a series on drug discoveries by looking at ways to fight off fungal infections

A hidden killer waits to strike

Hospital doctors are alarmed by the rising incidence of life-threatening fungal infections in cancer and transplant patients, whose immune systems have been depressed by chemotherapy, and in people with Aids. Although there are no reliable estimates for the number of people worldwide dying from fungi, doctors are beginning to think of them as a hidden killer.

According to a survey by the US Centres for Disease Control, the rate of fungal infection almost doubled from 2.0 to 3.8 per 1,000 hospital patients between 1980 and 1990. A German study of all autopsies carried out in Frankfurt showed an even faster increase in invasive fungal infections: from 0.4 per cent in 1978-82 to 1.2 per cent in 1983-87 and 2.4 per cent in 1987-92.

Contributing factors include antibiotic treatments, which wipe out bacteria and leave the field clear for competing fungi, and the increasing use in hospitals of intravenous catheters – tubes which provide a route for infections into the body – as well as the growing number of "immuno-compromised" patients.

To meet the need, anti-fungal drug sales are expanding fast. Datamonitor, the business research company, puts the annual growth rate at 19 per cent, with the world market projected to increase from \$2.5bn (£1.6bn) in 1993 to \$4.9bn in 1997. Another research company, Frost & Sullivan estimates that the US anti-fungal market will grow from \$1.1bn in 1993 to \$2.1bn in 1999.

On the supply side, the market growth is being driven above all by Diflucan, launched by Pfizer of the US in 1990. Analysts expect Diflucan, which was developed at Pfizer's UK research centre in Sandwich, Kent, to become the anti-fungal sector's first \$1bn-a-year drug.

Before Diflucan, the leading treatment for systemic anti-fungal disease – serious infections in which microscopic fungi have spread right through the patient's body – was amphotericin B, an old drug associated with severe toxic side-effects.

Diflucan has the potency of amphotericin B, with fewer side-effects. It can be given as an emergency injection to treat life-threatening infections, or taken by mouth as long-term therapy by immuno-compromised patients who need to keep fungi at bay.

Although Diflucan was a great improvement on previous treatments for serious fungal infections, it is far from perfect. The most serious drawback is that Diflucan does not have a sufficiently broad spectrum of activity. It works well against Candida, the yeast which is the single most prevalent fungal pathogen in human beings, but it is much less effective against Aspergillus, the second most common one. And, ominously, there are signs that Diflucan-resistant strains of Candida are evolving.

Therefore Pfizer is developing follow-up drugs to hit fungi that do not respond well to Diflucan. So are several other companies that do not have a significant presence in the anti-fungal market today but are attracted by its potential, including Zeneca and Glaxo of the UK and Eli Lilly and Merck of the US.

Most anti-fungal drugs belong to a class of chemicals called azoles. Diflucan is an azole. So are Sporanox, Nizoral and Daktarin, the three drugs sold by Janssen, the Belgian subsidiary of Johnson & Johnson, which is number two in the anti-fungal market behind Pfizer.

Janssen's biggest development effort at the moment is focused on extending the uses of Sporanox, which was launched in 1989. Mike Emanuel, the company's UK research director, says the drug's great advantage is its broad spectrum of activity, including effectiveness against Aspergillus.

Azoles work by blocking the synthesis of ergosterol, a fungal hormone that is essential for the maintenance of cell membranes. They have also been developed by agrochemical researchers to combat fungal diseases in cereals and fruit.

There are several more azoles in the development pipeline, including one from Pfizer and another from Zeneca, in Phase II clinical trials. David Denning of Manchester University Medical School, scientific adviser to the Fungal Research Trust, is involved in the clinical trials of both Pfizer's and Zeneca's new azoles. "They could be useful drugs but I don't think either is going to be a giant leap forward," he says.

"What we need is a drug with a completely new mode of action – and that is a tall order, because a lot of the fungal cell processes are the same as in mammalian cells," Denning says. "Another difficulty is that fungal cells have a thick coating of sugar molecules; we have to find a chemical structure that will get through the wall without causing damage to human cells."

One fruitful development is the re-formulation of amphotericin B, in a way that reduces its side-effects while retaining its potency. Two US companies, Vestar and Liposome Technology, have encapsulated amphotericin B in microscopic fatty particles called liposomes; these release the drug more slowly into the patient's body and reduce its toxicity. The products – Vestar's AmBisome and Liposome's Amphocil (marketed by Zeneca outside North American and Japan) – have recently been licensed for use against severe infections that do not respond to other drugs.

The best-selling non-azole drug is Lamisil, launched by Sandoz of Switzerland in 1991. Whereas Diflucan aims mainly at systemic internal infections, Lamisil's primary market is the treatment of skin, nail and hair infections.

These external infections by dermatophyte fungi affect 10 to 15 per cent of the population, according to David Pearson of Sandoz. Although not life-threatening, they can be irritating and disfiguring and are extremely hard to clear up with conventional drugs.

Lamisil, which can be taken by mouth or applied as a cream, is very effective at eradicating dermatophyte infections. But it is also turning out to have a broader spectrum of activity than Sandoz originally expected, with potential for treating some systemic infections too. "We're forecasting sales of more than \$800m a year for Lamisil by 1998-99," Pearson says.

Chemically, Lamisil is an allylamine. It interferes with ergosterol production, like the azoles, but at an earlier step in the biosynthetic pathway. The effect, according to Sandoz, is that Lamisil is "fungicidal" – it actually kills them – whereas azoles are just "fungistatic", keeping the fungi under control. Therefore patients treated with Lamisil are less likely to relapse after treatment stops.

"In principle the distinction between fungicidal and fungistatic drugs is very important," says Roderick Hay, professor of cutaneous medicine at Guy's Hospital, London. "But in practice there is little clinical data yet to show that it makes any difference."

Meanwhile, the search continues for entirely new drugs.

At Imperial College, London, Tony Barrett is running a particularly active anti-fungal chemistry programme. Promising compounds being investigated by his group include: papuamine, a powerful fungicide produced naturally by tropical sponges; papulacandins; hennoxazole A; and FR-900848, a research compound from Fujisawa of Japan.

An elegant approach is to use fungi themselves as a source of new anti-fungal drugs. It has yielded several promising research leads for Myco Pharmaceuticals, a Massachusetts biotechnology company.

"There are an estimated 1.5m fungal species worldwide," says William Timberland, Myco's vice-president for research. "Because fungi are competing with each other in natural eco-systems, one would expect them to produce anti-fungals to protect themselves from other species."

The series continues next month by focusing on drugs that act on the immune system.

World market for major anti-fungals

Company	Brand	Generic	Sales (\$m) 1993	1997	2002
Pfizer	Diflucan	fluconazole	[illegible]	[illegible]	1,000
Johnson & Johnson	Sporanox	itraconazole	125	250	330
Sandoz	Lamisil	terbinafine	122	236	257
Johnson & Johnson	Nizoral	ketoconazole	[illegible]	[illegible]	230
Bayer	Canesten	clotrimazole	[illegible]	[illegible]	182
Roche	Loceryl	amorolfine	[illegible]	[illegible]	101
Bayer	Mycospor	bifonazole	[illegible]	[illegible]	190
Schering Plough	Lotrisone	clotrimazole	[illegible]	120	100
Johnson & Johnson	Monistat/Daktarin	miconazole	125	110	80
Bristol-Myers Squibb	Fungizone	amphotericin B	[illegible]	56	46
Total market			2,464	4,890	N/A

Source: Datamonitor. 1997 and 2002: Forecast

■ Articles over the last six months have looked at pharmaceutical advances in the following areas:

Stroke	29 July
Painkillers	30 June
Blood products	27 May
Multiple sclerosis	29 April
Sepsis	31 March
Prostate	25 February

Pioneers on the barcode trail

Vanessa Houlder reports on a system that has earned its stripes

Barcodes, it seems, have become ubiquitous. The machine-readable panels of black and white stripes are being used to identify everything from newborn babies to pension books.

Yet barcodes have drawbacks, notably in the amount of information that can be squeezed on to a label, which is usually restricted to a simple identification number. In an attempt to pack in more data, manufacturers have been working on a new generation of codes which store information in two dimensions.

These codes, which are capable of storing information 100 times more densely than their one-dimensional counterparts, have been used in applications ranging from military security passes to labelling parts on the space shuttle.

The latest company to announce plans to launch a 2D barcode is Tec (UK), a subsidiary of Toshiba, the Japanese corporation. Its Data Matrix system, which can store up to 2,000 bytes of information per code, will come on to the UK market next month

Its system has little in common with the conventional barcode, in which data is represented by a pattern of bars and spaces, which can be scanned by laser and fed into a computer. The Tec system works by putting raw data into binary code and representing it in the form of dark and light squares in a matrix - creating what looks like a blank crossword puzzle. To decypher the code, a reading machine takes a photograph of the image, which is then decoded.

The company believes that the system's potential uses include keeping records for hospital patients, keeping track of components on production lines, and verifying the identity of document holders.

A similar system has already been introduced by Veritec, a Californian developer. The Veritec system was spotted by Nasa when it was attempting to improve its method of identifying parts in the space shuttle. By marking the Veritec codes directly on parts, Nasa was able to bypass steps where a human would manually transfer serial numbers, thus reducing the risk of human error.

Another advantage of the system was that it was suitable for marking very small parts, since the mechanism for reading the code includes a camera with a lens capable of magnifying the image. The technology also stood out by producing marks on delicate components that were capable of being read after being exposed to outer space.

A different technology underpins the two-dimensional system designed by Symbol Technologies. Its system, which it describes as a portable data file, consists of a series of codes stacked upon each other. A single code can contain up to 1,750 characters, compared with around 13 on a traditional barcode.

The system which was launched commercially two years ago, is being used to mark the uniform of US fire fighters with their identification and medical history. Symbol Technologies has also experimented with marking blood bags with the donor's blood group, the blood's expiry date and centre of origin.

The system is being used in security passes by the US Department of Defence and will be used by policemen working at the Conservative party conference in October.

Few developers expect the 2D barcode to replace the traditional barcode. The traditional one-dimensional systems are relatively cheap and effective and have already commanded substantial investment.

Nonetheless, the champions of 2D codes firmly believe that their technology will open up new applications. "It is the most exciting thing that has ever happened to barcoding," believes Brian Marcel, managing director of Bar Code Systems, a UK distributor of Symbol Technology's system.

Yet so far, the uptake of 2D barcoding has been relatively slow. The barriers are not due to cost or technology, says Marcel. Rather, the acceptance of 2D systems depends on potential users' vision and willingness to be pioneers, he says. "No one likes to be first."

PEOPLE

Non-executive directors

The search for a new chairman at Associated Nursing Services has come to an end with the appointment to the board of former Tory MP and junior sport minister, Sir Neil Macfarlane (above).

The nursing homes group has also invited John Hodson, chief executive of the merchant bank Singer & Friedlander, to become a non-executive director. Singer & Friedlander holds 24 per cent of ANS.

ANS is paying Sir Neil and Hodson £18,000 and £10,000 a year respectively for "about five" and "at least two" days' work a month. Nick Dhandsa, chief executive, says this is the going rate.

Sir Neil, 58, will become non-executive chairman in October, on the retirement of Robert Upsdell, who joined the group in 1990 and who, according to Dhandsa, had originally intended to stay with ANS for only two or three years.

Sir Neil is a non-executive director of several companies, including RMC, Securicor, and the Bradford & Bingley building society. Hodson's financial expertise, meanwhile, is expected to help ANS forge joint ventures with City institutions to fund expansion plans. The group recently called on shareholders for £10m to fund expansion through a one for three rights issue.

■ **Christopher Mills** as chairman at STANELCO on the resignation of John Adams.

■ **John Wilson**, recently retired chairman of the London Electricity Board and president of the Electricity Association, at the CONTRIBUTIONS AGENCY.

■ **Peter Dixon**, former divisional chief executive of Berisford International, as chairman WELPAC from January 31; the present chairman Gerald Lavender will become non-executive from then until the agm.

Davis succumbs to Aegis's carrot

The media buying and planning group Aegis, holding company of the European-wide network of Carat companies, moved a step further on its steady rise back from the grave with the appointment of a new chief executive, who has a track record in managing some of the world's best-known and most successful brands.

He is Crispin Davis, 45, whose most recent employer was United Distillers – where he took the controversial decision to reduce the strength of Gordon's gin. But he spent much of his working life – the years 1970-1990 – with Procter & Gamble; he was offered the job following a Europe-wide head-hunt. Davis is taking over from Charles Hochman, 65, who, on retiring from the chief executive's role, will become non-executive deputy chairman until the end of 1995.

Aegis has had a rocky two years since Peter Scott was ousted as chairman in July 1992. It suffered pre-tax losses of £18m in 1993, including exceptional items of £40m, following (restated) losses of £11m the previous year; it staged a £61m refinancing package in October 1993.

In April this year, Davis was reported to have received cash and non-cash benefits worth a total of £670,000 from Guinness, following his October 1993 resignation as regional managing director of the United Distillers spirits subsidiary and his consequent departure from the main board of Guinness.

It is believed that Davis's abrupt departure from Guinness followed a clash over marketing strategy with chief executive Tony Greener. Until that clash, observers had regarded Davis as being groomed to take on the top executive job. Running Aegis will give Davis plenty of scope to realise fully his own views on marketing.

Davis left Procter & Gamble in 1990, where he started life as an assistant brand manager. By 1978 he was marketing director of P&G's UK operations, responsible for such matters as establishing the Pampers brand of disposable nappy as market leader. At P&G Davis rose to become vice president in charge of the US foods businesses. He takes over at Aegis on October 15.

■ **Edward Jenner** (above), formerly commercial director for Unilever's Van den Bergh Professional Foods, has been appointed group finance director of WEDGWOOD.

■ **Peter Warry**, a director on the main board and chairman of Norcros's building products division, has been appointed acting chief executive of HEATHERWOOD and WEXHAM PARK Trust Hospital where he has been a non-executive director.

■ **Gary Hughes**, former vice-president & financial controller, North America, for United Distillers, has been appointed director of financial control of FORTE in succession to Peter Clack who has been appointed finance director of Roadside Restaurants & Accommodation.

■ **Peter Mills** has been appointed chairman of ST CLEMENT'S PRESS, the newspaper printing subsidiary of Financial Times Group. Barry Gilbert, previously general manager of SCP, succeeds him as managing director of SCP.

■ **Danny Bernstein**, joint md of Monarch Airlines, has been appointed a director of MONARCH HOLDINGS.

■ **John Hawkins**, company secretary, has been promoted to financial director of GB AIRWAYS.

■ **Gavid Chittick**, formerly finance director at Burwood House, has been appointed finance director for FORTE Crest.

Worboyes: levelling up at the PIA

Mark Worboyes, 40, an accountant with Fimbra, has been appointed head of investigations at the Personal Investment Authority, the new watchdog charged with protecting the private investor.

The PIA started operating last month after a long debate about reforming a widely-criticised system in which regulation of retail financial services was split between Lautro, which regulates life companies and unit trusts, and Fimbra, which supervises independent financial advisers.

However, the problem of merging two regulators has caused considerable jockeying for position behind the scenes and there has been some criticism that Lautro staff were getting the plum jobs in the PIA. Kit Jebens, head of the PIA's member relations, and Stuart Willey, head of legal services, both come from Lautro. David Severn, head of policy development, comes in from the Securities and Investments Board (SIB).

Worboyes, who comes under Kit Jebens' department, takes over from his old boss Jim Gaskin, Fimbra's former deputy chief executive, who had been given the job of the PIA's investigations chief. He quit last week to become managing director of Countrywide, a chain of independent financial advisers. Worboyes joined Fimbra in 1988 and has held a succession of posts in the areas of compliance and enforcement.

The PIA is still looking for a new head of finance and administration to complete its top management team under Colette Bowe, the new chief executive who has been brought in from the SIB at the start of the year.

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ARTS

Cinema/Nigel Andrews

Humour versus Hammer

Deep in a Hollywood laboratory, men in white coats seek to create the perfect rejuvenation potion. The idea is to rejuvenate not people but pictures. They mix and match movie genres, searching for the ultimate box-office "Eureka!" Will it be the action epic cum marital infidelity comedy (*True Lies*)? Will it be the Western cum gambling movie cum TV rip-off (*Maverick*)? Or how about – touch of desperation now creeping into the ingenuity – the publishing comedy cum May-December love story cum werewolf movie?

As genre experiments go, *Wolf* seems have escaped its laboratory before its time and dashed off down the emergency stairs. Screenwriter Jim Harrison or director Mike Nichols probably left it untended, thinking it was almost ready. But it wasn't. And being a Jack Nicholson project, it is soon out on the street, surprising passers-by with idiot grins, flyaway eyebrows and twanging slow-burn *epigrams*.

The opening scene – no, the opening half hour – is promising. Jack's car collides with a wolf on a skiddy, midnight New England road and he is bitten when he tries to shift the supposed dead body. Back in that other primal forest called New York, he is being retired as editor-in-chief of a top publishing firm. His boss Christopher Plummer says: "I want you to think about eastern Europe". (Gothic joke combined with josh at Gotham job-politics).

But all that sacked Jack is thinking about is how to appease his vicariously ambitious wife (Kate Nelligan); how to put a good face on his resentment of the super-yuppie replacing him (James Spader, in oleaginous overdrive); and why his senses of smell, sight and hearing are suddenly, strangely, becoming sharper.

He is of course lycanthropising. Soon it is but a hop and jump to peeing on his rival's suede shoes in the office loo ("Just marking my territory"), to growling impressively at Plummer, and to sharpening figurative claws for his job reclamation. "Is the worm turning?" trills his spinsterish secretary Eileen Atkins. "The worm is turning and packing an Uzi," replies Jack. "About f - ing time," says Eileen.

And it is. Forty minutes gone and still no authentic werewolfery. Soon

WOLF (15)
Mike Nichols

LE PARFUM D'YVONNE (18)
Patrice Leconte

A SHADOW OF DOUBT (15)
Aline Isserman

after that, though – but no, we feel *a hand suddenly clamped* round our mouths by the Columbia press handout: "would be grateful ... refrain from telling ... third act ... thank you ... understanding and cooperation."

Happy to oblige. For the third act, sad to tell, is a silly old mess, with director Mike Nichols evidently bitten by the dead body of Hammer Films and choosing to finish things off with fur, fangs and flying bullets. (Not giving too much away, am I?) This would be fine if the images matched the apocalyptic gear-change. But *Wolf*, having lingered so long in the land of back-chat and Martinis, lacks the courage to go feral. If you want bone-stretching, *mind-boggling, proper metamorphoses* such as in *The Howling* or *An American Werewolf In London*, rent the aforementioned movies on video.

Instead we have a snuffling Nicholson in orange contacts and miracle-grow sideburns, inflamed to self-assertion by beautiful Michelle Pfeiffer as the Plummer's daughter. Their romance – let us call it Act Two – is where the film begins to go wrong. Pfeiffer is a knock-em-dead actress struggling with a nev*er-come-to-life role.* And director Nichols, who as *Silkwood* and *Heartburn* taught us is ever the vapid stylist when he chooses, films the couple's formative tête-à-tête from *behind* their heads, silhouetted against a sparkling twilight river. Throughout this scene the camera does one of those simultaneous push-pull motions with the zoom and track *to give us a sense of* perspective-sorcery. But it is pretentious beyond measure: like an icky *picture* postcard animated by Tarkovsky.

So we are left with the early territorial comedy between Nicholson and Spader, manoeuvring for acting honours as turning worm and wormy twerp respectively. Spader is a joy. No one in modern cinema acts better sincerity-fakers. The face is a blob of radiant choirboy disingennousness, with invisible wires hitching the mouth into unctuous grins or pulling the eyebrows down into "concerned" frowns. In *Wolf* he stays right in there and up there with Nicholson: no mean feat since our Jack is in his voice-tweezing, elastic-eyed element here, at least so long as the film's sense of humour keeps at bay its sense of Hammer.

★

French cinema today wanders in a half-world all its own. The New Wave has receded, leaving a chain of low-tide rock pools that seem, *depending on the prevailing light*, either gloomily inert or delusively reflective.

Can you have life without movement? Can still waters *really* run deep? Patrice Leconte's *Le Parfum D'Yvonne*, from the director of *Monsieur Hire* and *The Hairdresser's Husband*, is rock pool cinema *par excellence*. Chic resort setting (luxury hotel). Teasing iridescent light. And a whole lot of exotic, biologically predestined life forms: including the young man opting out from the Algerian war during the 1950s (Hippolyte Girardot), the beautiful girl he falls for (Sandra Majani) and her ageing gay friend (Jean-Pierre *Marielle*), who insists on being called Queen Astrid. Don't ask why, just enjoy Marielle's high-style acidic performance, the movie's one *flicker of vitality*.

Jack Nicholson in 'Wolf': Mike Nichols' film seems to have escaped from the laboratory before it was ready

Indeed Leconte's film could have been, but wasn't, inspired by Cyril Connolly's novel *The Rock Pool*. (The actual source was Patrick Modiano's *Villa Triste*.) Connolly's story was all about a bunch of vain artistic types *sur le continent*, taking elegant swabs from each other's souls. But Connolly was a satirist. Leconte, via Modiano, seems to be – what? An impressionist? (All that blurry, light-kissed photography). A bricoleur? (Narrative tricks within tricks within flashbacks). Or just a cinematic dandy doodling endlessly with his movie palette?

The period set pieces are pretty and sometimes funny: notably the *concours d'élégance* for vintage cars and their drivers, a scene resembling *Genevieve* out of *Last Year In Marienbad*. Elsewhere, ever-so-precious dialogue is exchanged amid ever-such-opalescent settings and the temperature barely rises even when the chatter stops for the love scenes. Anyone for Dubonnet?

A Shadow Of Doubt is better. The light on this rock pool is dimmer, but the perspective is wider (*Cinemascope*) and deeper. When a 12-year-old girl (Sandrine Blancke) accuses her father (Alain Bashung) of child abuse, interested parties try to keep the two apart, unaware that shadows have an elastic life almost independent of their owners.

No vintage cars. No Dubonnet. Just the distant susurration of mistrust and the darkened, panicked depths of a relationship into which one fatal stone has been dropped. Director Aline Isserman boldly uses a wide screen for an intimate story: which means that faces are wreathed in boas of shadow and ambiguity becomes a form of brain-teasing poetry.

Movie-making like this is still "rock pool" rather than high tide. But at least it makes a virtue of its own marooned and intimist vision.

Opera Factory/Richard Fairman

Osborne's 'Sarajevo'

The first thing to say is that *Sarajevo* is not an opera, if that matters. In assembling his material on the suffering in Bosnia, Nigel Osborne found himself bringing together a variety of sources, which he has fashioned into a trilogy, composed partly of theatre, partly of music.

The first performance at the Queen Elizabeth Hall on Tuesday was entrusted to Opera Factory, with which Osborne has had a long creative partnership. The company premiered one of his true operas, *Hell's Angels*, and also (more relevant to the piece here) invited him to supply incidental music for two plays. David Freeman, producer of *Sarajevo*, more accurately describes the work as "performance art".

Part One of the trilogy begins unpromisingly. Wanting to make a connection to the suffering of an earlier age, Osborne incorporates an adaptation of Euripides's *The Trojan Women*, made by Don Taylor. In spite of an assertion in an interview that this would have "integral" music, there is almost no music at all. The play is acted straight, albeit in a modern setting, but too much of the text is mumbled or hysterically shrieked for the issues that Euripides was addressing to come across. A week spent watching fringe theatre at the Edinburgh Festival leaves one fairly immune to *Freeman's kind of full-frontal* soul-bearing.

Part Two is a musical setting of texts written in Sarajevo, "somewhere between an opera, a cabaret *and a song cycle*", says Osborne. Reading the poems in advance, I thought how moving they were. The unreality of living in Sarajevo during the siege is marvellously captured by some of these vignettes, like the boy wanting to keep his Levi 501s with the bullet hole as a souvenir, or the well-dressed businessman going home with his briefcase in one hand and a branch of a tree to burn in his home-made stove in the other.

Unfortunately, most of their force gets lost when the music is added. Osborne interweaves them and variously undermines their simple honesty, although his trio of instrumentalists at least allows most of the words to be heard. There is little feeling of pacing or overall shape to this long section, and certainly not of drama. Freeman's attempts to provide a dramatic subtext were inevitably futile.

These songs lead directly into Part Three, which is a setting in "oratorio" form of a libretto called "Sandstorm", by Craig Raine. Here, for the first time, music gains primacy over the words, which are in any case difficult to catch without the text to hand. In the more impassioned outbursts, when the four solo singers come together, one at last senses something of the anger which Osborne says motivated him to write the work.

Maybe it is unfair to expect that a composer should be able to express his sense of outrage with more eloquence than the rest of us, but summoning the power of his creative abilities is surely the challenge. *Sarajevo* is an undisciplined and inarticulate cry of pain.

Sponsored by Spero Communications. Further performances at the Queen Elizabeth Hall until September 3 and then at Oxford Playhouse

Alastair Muir

Katya Doric and Marie Angel

The Edinburgh Festival/Alastair Macaulay

Shakespeare in many tongues

Brush up your Shakespeare, and brush up your languages. Last week the Edinburgh Festival brought us *Antony and Cleopatra* in German, this week *A Winter's Tale* in French. Meanwhile, the Fringe includes *A Midsummer Night's Dream* and *Iago* (rewrites of the Shakespeare plays) done by the Ukrainian company Theatre on Podol; the latter takes place in a swimming pool. The official festival companies perform with a heavy sprinkling of Shakespeare's lines on *surtitles*. This adds a peculiar irony to watching the performance: for, while we read the text on high, we watch what directors have made of it onstage below.

The Winter's Tale in French stands at the opposite pole to last week's Berliner *Antony and Cleopatra*. That was prose, its action downscaled and updated, its tone intimate, its texture organic. This is poetry, its action taken out of any realistic context and its content carefully distilled, its tone cultivated, its structure rejigged by shifting floors and scenery.

The director is Stéphane Braunschweig, the production from the Centre Dramatique National, Orlé*ans-Loiret-Centre, Théâtre-Machine*; and Braunschweig shows how intelligently he understands the play. Leontes, the King of Sicily so suddenly and violently obsessed by false and jealous convictions about his wife Hermione and best friend Polixenes, is here shown as a man who absurdly over-dramatises his own innermost thoughts, who soliloquises in a manner far more melodramatic than he reveals in private: until this private, ludicrous, histrionic side takes him over in public as well and makes him monstrous.

But Braunschweig directs like a pathologist. He lays the workings of the play out on the slab: analysed, organised, labelled, and dead. Leontes's hammy neurosis is played out by Pierre-Alain Chapuis in the most actorly French manner, full of special vocal contrivance; and this is set against the far calmer manners shown by those around him. He clutches at a large red curtain in his early torment of jealousy, and the curtain becomes a symbol of *melodramatic distortion*. Meanwhile, each area of the stage shifts, so that the scenery itself becomes a symbol of the play's often distorted emotional perspectives. Several scenes are played out on a rake of about 40 degrees.

At four hours (with interval), this *Winter's Tale* feels a great deal longer than the Berliner *Antony* (three hours 40 minutes without interval): longer because – oh! – slower. As the play develops, every line – every word – becomes an étude. And Paulina, whose reckless courage and moral outrage are the strongest force in the play to counter Leontes's punitive jealousy, is played by Sophie Daull in artifi*cial style, self-consciously playing* to the house for precious effect even in the most intense scenes.

Braunschweig knows that some parts of the play are comic, others idyllic, others charming, and shows us how and why. I like the use of a female 'cellist in between scenes; she also plays Emilia. And I like the way that Hermione appears, beautifully veiled in white, while Antigonus recounts his fatal dream of her; and how she then remains there, like Patience on a monument, until – lifting her veil – she becomes the role of Time and tells us how 16 years have passed. Charming. But neither here nor elsewhere has the production any naturalness or convincing inner life. Calculation is all too evident.

Meanwhile, on the fringe, from 10.15pm till 12.30am, the Ukrainian Theatre on Podol is giving its *Iago* at the Infirmary Street Swim Centre. Desdemona *does a length of breaststroke to* elope with Othello, Iago is forever chucking people and props into the water, Othello and other characters go for a swim at regular intervals. This is *Othello* re-told (though less radically than the same company's *Midsummer Night's Dream*,) and it sounds utterly prosaic to this English ear.

But the action is completely fluent. I always wanted to know what would happened next, and/or how it would happen. Othello (white, without make-up) is dignified and yet always outshadowed by the towering, inscrutable, plausible Iago. Desdemona is innocent, spontaneous, unintelligent, a natural victim. At *the end, both Iago and Othello are* placed under arrest, on the jetty that projects out into the pool, for their crimes; Iago reveals all and handcuffs himself to Othello; and Othello, having learnt how he has been duped, calmly stabs himself. His body falls back into the pool, pulling in Iago after it. The lights fall on Iago trying desperately to keep the dead Othello afloat.

Alastair Macaulay

INTERNATIONAL
ARTS GUIDE

FESTIVALS

■ EDINBURGH

This year's festival, now at halfway point, is one of the most ambitious of recent years - spurred by the opening of a major new venue, the Edinburgh Festival Theatre.

● The drama line-up includes Peter Stein's seven-hour Moscow production of Aeschylus' Oresteia trilogy (in Russian with English surtitles, daily till Sun), J.M. Synge's The Well of the Saints from Dublin's Abbey Theatre (daily till Sun), and the UK directorial debut of Luc Bondy *in a quintessential* international festival production - a wordless play by Peter Handke involving 30 actors playing 400 characters (Aug 31-Sep 3).

● The dance programme winds up this weekend with Merce Cunningham Dance Company (Aug 27-28).

● *Beethoven* is the main festival composer this year. All nine symphonies are being played by orchestras from Cleveland, Stavanger and Hamburg, plus the Orchestra of the Age of Enlightenment, as well as the five piano concertos and many of the string quartets. Among the musicians involved are Alfred Brendel, Andras Schiff, *Richard* Goode, the Borodin Quartet, Frans Brüggen, Christoph von Dohnanyi and Günter Wand. Chabrier is the other featured composer, with performances of three of his stage works. Roderick Brydon makes a welcome return conducting the Australian Opera's production of Britten's A Midsummer Night's Dream (tonight, tomorrow and Sat). Charles Mackerras conducts the closing performance of Elgar's The Dream of Gerontius on Sep 3.

● A collection of French Impressionist landscapes, entitled Monet to Matisse, is on view at the National Gallery of Scotland. The Royal Scottish Academy has an exhibition on the theme of the Romantic Spirit in German Art 1790-1990.

● Official Festival: 031-225 5756. Military Tattoo: 031-225 1188. Fringe: 031-226 5257

■ HELSINKI

The formal opening of the festival takes place this evening with a "Night of the Arts", featuring dance, song, theatre and cinema all over the city. Esa-Pekka Salonen conducts the Los Angeles Philharmonic Orchestra at Finlandia Hall on Sat and Sun, and Jukka-Pekka Saraste conducts Mahler's Eighth Symphony next Wed. This year's programme also includes a strong British element: Neil Mackie sings Britten's Nocturne on Mon, and there will be performances by the Michael Nyman Band (Sep 5) and the London Sinfonietta (Sep 7 and 8), featuring works by Harrison Birtwistle, George Benjamin, Oliver Knussen, Robert *Saxton and Mark-Anthony Turnage.* Graeme Jenkins will conduct the Finnish Radio Symphony Orchestra in works by Elgar, Berkeley and Walton (Sep 10), and there will be a new ballet based on the images of the painter Francis Bacon. The festival runs till September 11 (Lippupalvelu Ticket Agency: tel 664466 fax 628007)

■ LUCERNE

Under Matthias Bamert, Switzerland's premier music festival has taken on an adventurous slant. Focal points this year are a 70th birthday tribute to Swiss composer Klaus Huber and a wide-ranging exploration of the way music is interpreted. Four different performances will be built around Schubert's Winterreise, including a new opera. There is also a series of offbeat events breaking all the rules of traditional concert form. The conventional side to the festival is as strong as ever. Highlights of the coming week include a recital by Maurizio Pollini on Sun, the Royal Concertgebouw playing Mahler on Tues, and the Berlin Philharmonic with Abbado next Wed and Thurs. Other visitors include the Orchestre Révolutionnaire et Romantique conducted by John Eliot Gardiner, the Berlin Staatskapelle under Daniel Barenboim, the Dresden *Staatskapelle under Colin Davis, and* the Vienna Philharmonic Orchestra under Riccardo Muti, who give the final two concerts on Sep 9 and 10. Lucerne itself offers plenty of daytime pleasures, including a street music festival taking place this week. The city is also an ideal centre for exploring the surrounding *Alpine region, with excursions on the* Lake Lucerne paddle steamer fleet and mountain railway trips up Pilatus and Titlis (041-235272)

■ MONTREUX

Montreux offers a sultry setting on the shores of Lake Geneva and a *haphazard collection of orchestras* and soloists from the summer festival circuit. This year's programme features the Pittsburgh Symphony Orchestra under Lorin Maazel (tonight), trumpet soloist Maurice André (tomorrow), violin soloist Maxim Vengerov (Sat), Radu Lupu with the Royal Concertgebouw Orchestra conducted by Riccardo Chailly (August 31), Ton Koopman and the Amsterdam Baroque Ensemble (September 5) and the Orchestra of La Scala Milan with Carlo Maria Giulini (September 8). The final concert on September 23 is given by Kent Nagano and the Lyon Opera Orchestra, with piano soloist Martha Argerich. Most events take place in the cavernous modern Auditorium Stravinski (021-963 5450)

■ PESARO

The closing performances are Semiramide tonight and Sun at the Palafestival, conducted by Roger *Norrington: the one-act dramma* giocoso L'inganno felice tomorrow and Sat at the Teatro Rossini, staged by Graham Vick and conducted by Carlo Rizzi; a piano recital tomorrow by Giorgia Tomassi at the Teatro Sperimentale; and a Mozart and Mahler concert on Sat at the Palafestival, featuring the Stuttgart *Radio Symphony* Orchestra conducted by Gary Bertini (0721-33184)

■ SAN SEBASTIAN

This music festival in Spain continues for another week, with an impressive array of foreign visitors. *Paata Burchuladze sings Verdi and* Musorgsky arias tonight at Teatro Victoria Eugenia, and Elena Obratsova gives a song recital tomorrow at the Maria Cristina Hotel. Alexander Lazarev conducts the Royal Liverpool Philharmonic Orchestra in Mahler's Second Symphony tomorrow and Sat at Teatro Victoria Eugenia, and in a programme of Britten, Prokofiev and Musorgsky/Ravel on Sun. Christian Zacharias gives a piano recital on Mon, followed by two concerts (Tues and Wed) conducted by John Eliot Gardiner. There are also recitals by the Moscow Quartet and the Huelgas Ensemble (0943-481238)

■ SANTA FE

The 1994 opera festival ends with Intermezzo tonight, Il barbiere di Siviglia tomorrow and Tosca on Sat (505-986 5900)

■ STRESA

Stresa's chief selling point is its situation on the shore of Lake Maggiore in northern Italy. The festival opens on Sat with a Brahms and Mendelssohn *programme* played by the Freiburg Bach Orchestra and Chorus. Other guests include the violinist Uto Ughi (Sep 1), the pianist Jörg Demus (Sep 7), Martha Argerich (Sep 11) and soprano Katia Ricciarelli (Sep 13). The festival ends on Sep 18 with the Berlin Radio Symphony Orchestra conducted by Vladimir Ashkenazy (Settimane Musicali di Stresa, Palazzo dei Congressi, Via R. Bonghi 4, 28049 Stresa. Tel *0323-31095 Fax 0323-32561)*

■ TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer home has provided concerts in the heart of the Massachusetts countryside. Tomorrow's all-Mozart programme is conducted by Christoph Eschenbach, with soprano soloist Barbara Bonney. Eschenbach also conducts Beethoven's Ninth Symphony on Sun afternoon, with soloists Alessandra Marc, Florence Quivar, Frank Lopardo and Paul Plishka. Saturday evening's Russian programme is conducted by Yuri Simonov, with piano soloist Horacio Gutierrez. *On Monday*, John Williams conducts the Boston Pops in a programme entitled A Night at the Movies. The festival ends next week with a Frank Sinatra concert on Wednesday, followed by a four-day jazz festival featuring Manhattan Transfer, Dave Brubeck Quartet and the Carnegie Hall Jazz *Band (Ticketmaster Boston* 617-931 2000 Western Massachusetts 413-733 2500 New York City 212-307 7171 *other areas* 1-800 347 0808)

ARTS GUIDE

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NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
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FRIDAY
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Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Bitter Australian whine, uncorked

BOOK REVIEW

THE HAWKE MEMOIRS
By Bob Hawke
William Heinemann Australia A$49.95 or £15.99, 640 pages

Hell may have no fury like a woman scorned, but a rejected politician can make the cauldrons bubble even more furiously.

Quite simply, the reminiscences of Mr Bob Hawke – the Rhodes scholar and former union leader who became Australia's prime minister in 1983 and held the job for eight years – are mistitled. Instead of being called *The Hawke Memoirs*, which gives an impression of gravitas, something with a vaudeville flavour, such as *Me and My Enemies*, would have been more fitting.

For much of the book's 560-odd pages, the butt of its outpourings is Mr Paul Keating, Australia's current prime minister. Mr Keating finally snatched the top job from Mr Hawke in late-1991, after having served as Treasurer (finance minister) for most of the Hawke years and following a bruising battle within the Australian Labor party.

This leadership struggle was brutal even by the standards of Australian politics, and has been well-documented both on television and in print. But Mr Hawke clearly felt the true tale had not been told. "I knew this book would cause some unhappiness," he remarked testily when the book had been panned by almost all Australian commentators last week. "But the facts have to be told."

Well, yes – but not necessarily with such bitterness and nastiness. As his account rambles through the domestic and international developments his government confronted in the mid-1980s, Mr Hawke rarely misses an opportunity to take a swipe at his successor.

Touching, for example, on whether Australia should have allowed the US to conduct missile tests in the Tasman Sea in 1985 – an issue which had become more sensitive because of neighbouring New Zealand's brushes with the US over defence policy – he suddenly sidetracks.

Mr Hawke recalls that while he taking calls from other prominent Labor parliamentarians, including the then foreign minister, Bill Hayden, and defence minister Kim Beazley, Mr Keating telephoned.

"As distinct from those cooler heads, who shared my view [that agreeing to the US request would put at risk the broad defence agreement between the two countries]. Paul was gung-ho. He recommended a 'take 'em on, we'll beat 'em, don't back down' approach. Understandably, I took no notice because he was not expert in foreign affairs and he had no understanding of the [missile] issue within the broader framework of maintaining party support for the Australia-US alliance."

Other attacks are more personal. Mr Keating is enthusiastic about European antique clocks – a fact often raised by opposition politicians when they want to play to Australians' dislike of poseurs. But this does not stop Mr Hawke from weighing in, too: "French Empire clocks were his fascination; he had an absolute passion for them, perhaps not unrelated to visceral republicanism and his tardiness at keeping appointments.

"On a couple of occasions he had me over to his house to explain in loving detail the esoterics of his numerous clocks. They were handsome objects to be sure, but I must say I could think of better ways of filling in my time than polishing them and taking them to pieces and putting them together again."

The shame is that, in pursuit of this vendetta, Mr Hawke misses an opportunity to shed insights into a fascinating period of transformation for Australia. Only briefly does he comment on the thesis that his Labor party was lucky to be in office when social democratic thinking was changing across the western world, and die-hard socialists began to see the virtue of market mechanisms.

"The necessary changes ... we had to make in party thinking were made when we were an affective government. Had we not been in power there is little doubt that we would have been doomed to a continued irrelevance," he suggests.

But rather than exploring this argument, Mr Hawke reverts to personal aggrandisement. He reduces Australia's reform process to one decision – his, of course. "There is one simple and indisputable fact ... and it is, arguably, the single most important fact in the history of Australian politics in the last two decades of this century. If I had not dumped Option C [the potential introduction of a consumption tax] in 1985, Labor would have lost the 1987 election. Labor would not have been continuously in power for 13 years by 1996, and there would have been no prime ministerial mantle for Paul Keating to seize in 1991."

Perhaps the most surprising aspect of the book is its stilted language, and sugary sentimentality. Summing up one early trade union acquaintance, for example, Mr Hawke writes: "The private man was one who had a profound knowledge and love of classical music and a dedication to gardening." Another individual's cynicism is described as being "leavened, however, by a witty ebullience and an enjoyment in interacting with those around him". Time and again, Mr Hawke claims a personal empathy with the Australian electorate. "In 1983, as I travelled the length and breadth of the continent calling for an end to division and a fresh start, I was aware of an enormous reservoir of goodwill towards me. One of my many public psychoanalysts has said that I walk everywhere in a warm tropical breeze, as if this was somehow a bad thing. In fact, I do."

Judging by local reaction to the book last week, the winds have changed. Still, the initial print run is one of the largest planned in Australia, so Mr Hawke should end up a richer man. By all accounts, his next literary offering will be a form guide to Australian racing – a penchant of Mr Hawke's which rivals Mr Keating's enthusiasm for clocks. One can only tremble for the horses that have let him down.

Nikki Tait

Capitalism grew in my courtyard

Leyla Boulton reflects on the changes that market reforms have brought to Moscow in four years

Reuter/AP

Changing face of Moscow: food shortages are over, but MMM investors are angry and crime is rising

In the four years since I arrived in Moscow, my courtyard has been transformed by President Boris Yeltsin's market reforms. The children who used to play in it have been replaced by armed men in bullet-proof vests who guard a new commercial bank which rents office-space in our building. The courtyard administrator, who has visibly prospered from the arrangement, tells complaining residents he would be "killed" if he tried to remove the bank. My husband was threatened with a pump-action shotgun after protesting when a bank security van almost knocked down my mother, who was on a visit.

Complaining about the aptly named Moscow Business World Bank is as useless as demanding action from the police against the all-night disco adjoining the courtyard. Nothing happens. A 10-minute walk down the road, at Paveletsky Station, the driver of the manager of a big car-dealing company recently had his head blown off by a car-bomb aimed at his boss.

There is no point in complaining, for this free-for-all is capitalism, Russian-style. Like many Muscovites, I have learnt to live with impotent indignation at the power of crooks and corrupt officials, and to consider myself lucky to be healthy and solvent. Less fortunate are the hundreds of thousands of Muscovites likely to lose their savings in dubious financial companies like MMM.

Irina Yasina, a friend with her own financial news agency, argues: "The country has gone mad ... Everybody now wants to make money, but only Russians could play this sort of Russian roulette."

On the positive side, the queues and shortages at Gastronom number 45, the local food shop which now calls itself Zamoskvarechiye Supermarket, have disappeared since the abolition of price controls in January 1992. Thanks to the liberalisation of imports decreed at the same time, Muscovites today are far better-dressed than in the Soviet era, and despite (justified) grumbling at still very high prices, can find whatever they need in the shops and in the kiosks which have mushroomed in the capital.

There is little that is not for sale in Moscow today. "Afghan war veterans available for all manner of security services," says the advertisement on the trolleybuses passing my kitchen window.

Thrown into a market at the deep end by the young reformers, led by the former deputy prime minister, Yegor Gaidar, Russians are shedding communist-era expectations that the state will "feed" them from the cradle to the grave. My friend Sasha, an underpaid army officer who moonlights as a security guard, says: "We can rely only on ourselves."

Deep-rooted prejudices that business is crime and that trade is "speculation" are proving more persistent – hardly surprising, given that much of Russian business still operates in an unregulated and illegal manner. But gone are the days of total ignorance, symbolised by a middle-aged Russian journalist who, in December 1990, asked the then finance minister Boris Fyodorov how speculation could be avoided on the country's first stock exchange. At a seminar for young financial journalists last winter, the only questions were about how to report financial fraud and companies like MMM.

Moscovites like Irina Yasina are setting up businesses, in spite of daunting official red tape and prohibitive taxation. The Moscow Currency Exchange, established in a Stalinist skyscraper which houses official institutions such as the Management of Tall Buildings,

'Everybody wants money, but only Russians could play this sort of Russian roulette'

is manned by youths with mobile telephones who trade dollars and D-Marks as if they had been doing so all their lives – even though a western-style currency market has existed in Russia for little more than than two years.

When I first arrived in Russia in May 1990, the old communist order appeared as solid as the bronze statue of Lenin, which still stands outside my courtyard on October Square. Today the statue is nothing more than a rallying point for nostalgic pro-communist demonstrations by pensioners.

Arrogant officials continue to race around Moscow in official limousines without regard for speed limits. But apart from the fact that many now ride in Mercedes rather than ramshackle Volgas, the officials' own significance has radically altered with the demise of the old state-run economy.

Many former Communist party officials have gone into business. Nikolai Ryzhkov, Soviet prime minister from 1985-90, is now chairman of a commercial bank called Tveruniversalbank. Nicknamed the "weeping Bolshevik" for his sometimes emotional behaviour, Mr Ryzhkov accelerated the collapse of the Soviet economy when he and former President Mikhail Gorbachev failed to proceed with the "500-day plan" for radical market reforms in September 1990.

Then, officials were all-important, both for the reforms they rejected and, after Mr Yeltsin came to power as master of a newly independent Russia, for what they changed. I particularly remember Grigory Yavlinsky, a young reformer brought into government on the eve of the Soviet Union's collapse in December 1991, complaining about the refusal of "idiotic" republics to endorse his proposed economic union – a refusal most now bitterly regret. Or Boris Fyodorov, expressing fears of an "economic coup" by old-style lobbyists who detested his attempts to impose "ordinary financial discipline" before his second resignation as finance minister in January 1994.

With inspired young reformers now firmly out of the way, old-style bureaucrats are defensively reasserting old secretive methods of conducting official business. President Yeltsin himself pointed out that many officials had become as remote as in the old days.

This remoteness was underlined by a remark by his own spokesman, Mr Vyacheslav Kostikov, at a Moscow reception. Before Mr Alexander Livshits, the president's economic adviser, could answer a question on why the government had failed to keep a promise to scrap quotas on oil exports on July 1, Mr Kostikov blurted out: "I think it is better if he doesn't answer that question. We are here to relax." This long-promised foreign trade reform would have increased tax revenues and removed a big source of corruption.

The truth is that, after the young reformers released the genie of market forces, their successors lost their grip on almost everything except export quotas and their own secrets. The supreme power today is money, and those who wield that power are businessmen, mafiosi and the officials who extort bribes in return for not hindering their activity.

It is that power, as expressed every day in my courtyard, which is the main guarantee against a return to the past. It is true that Moscow is not Russia. But that does not make thoughts of the future, which will be largely decided in the capital, any less unsettling.

The author recently completed a four-year reporting assignment for the FT in Moscow

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Facts on The Body Shop difficult to obtain

From Mr Richard Adams.

Sir, Gordon Roddick's defence of his company's commitment to social and ethical issues (Letters: August 24) fails to mention one important element of The Body Shop's position. His company has a firm policy of no paid advertising. However, it has been highly successful in promoting itself through public relations, spending millions of pounds annually.

The Body Shop distinguishes between advertising and PR in this way – "advertising is you saying you're good, PR is getting someone else to say it" (Body Shop annual report 1993, page 20). But, more so than advertising, public relations is difficult to call to account.

New Consumer can only assess action and hard information. We have been debating disclosure on corporate social responsibility with The Body Shop for some time and have found great difficulty in obtaining relevant information.

In September 1993, in a meeting at which Gordon Roddick was present, The Body Shop confirmed that, while a source/supplier analysis of basic product ingredients had been initiated, there had, as yet, been no development of an ethical sourcing policy for such materials, the bulk of these being bought as commodities on the world market. At that meeting we suggested:

- Clear delineation of Trade Not Aid projects as examples of micro-enterprise income-generation schemes whose presentation to the public would be substantially reduced, in line with their contribution to the overall product range.
- Analysis of ingredients and other raw material or finished product supplies to determine source and what was or could be originated in the developing world. This to be followed by a prioritised programme for applying appropriate fair trading criteria and recognising areas where no such possibilities existed at present, and seeking ways to introduce ethical sourcing in future.
- Taking the work involved in the above point to trade suppliers and processors for their comment and encouraging their involvement and creative thinking. Stimulating appropriate trade associations to consider these issues and engaging with other users of similar basic ingredients, including competitors, in evolving practical schemes for improvement in standards of sourcing.

We believe that this was and remains a constructive and far from cynical approach, and we and many other ethical research groups would be reassured on this subject if The Body Shop had adopted it.

Richard Adams,
New Consumer,
Newcastle upon Tyne NE4 6JH

Need publicity for existing courses, not A-level reform

From Mr Huw Morris.

Sir, Your leader "A-levels fail the test of time" (August 22) rightly identifies the over-specialisation of students at 18 as a cause for concern, but your suggestions for reform ignore the wealth of qualifications already available.

At present students in England and Wales can choose between A-levels, NVQs, GNVQs, the international Baccalaureate and A/S levels. The last two admirably fulfil the function of the slimmed down A-levels you recommend. The main problem is not the nature of the courses, it is the lack of awareness of their existence. A further problem is created by universities' admissions procedures and employers' selection criteria which may lead to an inadvertent bias towards students with A-levels.

The time it takes to become familiar with any of the new qualifications and the volume of applications means admissions tutors and recruiters often fall back on what they know best, the A-level. As the introduction of GNVQs and NVQs continues over the next four years, reforming the A-level system would only add complications. The important message is less time should be spent finding new solutions and more time should be spent publicising and adapting to what is available.

Huw Morris,
29 Himley Road,
London SW17 9AR

Share options for the not so rich

From Mr Malcolm Hurlston.

Sir, May I correct the impression given in your column "Labour names share option 'millionaires'" (August 19) that the discretionary options scheme used for executives is different from that for other employees.

There is a single scheme under the 1984 Finance Act which covers all employees, whether executives or not. In practice it has been used mainly for executives and has become popularly known as a result as the "executive share option scheme".

This however is a misnomer and there is a current trend (Wellcome, the pharmaceuticals group, is an example) towards using the option scheme for large numbers of employees.

Malcolm Hurlston,
The Esop Centre,
London WC1E 7AA

Doubts over rail strike figures

From Mr Leslie Hadi.

Sir, If we are to believe the RMT's claim that 98 per cent of its members have remained loyal to the strike, there is a disturbing corollary. The fact that Railtrack still kept 40 per cent of the network open (presumably with no compromise on safety) suggests a frightening level of overmanning.

Could Jimmy Knapp please check his figures.

Leslie Hadi,
Edgware,
Middlesex HA8 8NZ

No mystery lurking behind employment statistics

From Mr Peter Robinson.

Sir, In his letter (August 19), John Wells raised concerns about the failure of the Department of Employment's statistics to show an increase in jobs to match the fall of 340,000 in claimant unemployment in the last 18 months. The employment data, derived from employer surveys, have long been subject to doubts about their reliability.

The Labour Force Survey of households provides an alternative measure of both employment and unemployment trends. The five most recent quarters of data available from this source show unemployment has fallen by 260,000 and employment has risen by 230,000. There is still a discrepancy – albeit a smaller one – explained by a continuing, but modest, fall in labour force participation rates for men.

As Mr Wells notes, labour force participation rates fall in recessions, but should improve in recoveries. However, this process operates with a lag. It takes time following the beginnings of a recovery for individual discouraged jobseekers to react to the signs of improvement and begin to re-enter the active labour force.

Comparing the last two quarters, male labour force participation rates steadied and the balance between employment growth and unemployment decline was more equal. If the recovery were to continue and strengthen, labour force participation rates for men and especially women would begin to rise, and further falls in unemployment would indeed have to be matched by significantly greater increases in employment.

It is not clear then from the LFS that anything particularly unusual or suspicious is happening. Mr Wells is, however, quite right to draw attention to the unsatisfactory nature of the official employment figures derived from employers.

Peter Robinson,
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Houghton Street,
London WC2A 2AE

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FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 [illegible]
Thursday August 25 1994

Remodelling Sweden

Sweden's [illegible] Democrats will probably be returned to power in less than a month. If so, it will be because they have persuaded the *electorate* of two things, the first true, the second false: that they are best-placed to reform the economic model they built and that doing so can be painless.

As recently as 1987, commentators were revising their obituaries of the Swedish *social democratic* model. Though leftists had been forced into retreat elsewhere in Europe, the Social Democrat government in Sweden seemed to have bucked the trend. They had adapted the country's tried and tested economic remedies to global competitive pressures without, it seemed, losing the kinder face that Sweden's capitalism had always displayed. A steep devaluation of the krona in 1982, followed by fiscal "austerity" in the mid-1980s, had delivered a balanced current account, unemployment below 2 per cent, and [illegible] budget surplus of over 4 per cent of GDP.

Yet [illegible] only a brief [illegible] from [illegible] structural reforms on which Sweden's economic future now depends. As the *country emerges from its deepest* recession since the 1930s, its old remedy, a large devaluation in November [illegible] brought a recovery in the tradable sector. But it can no longer carry the rest of the economy on its shoulders.

The general government deficit is expected to be 11.5 per cent of GDP in 1994, while the stock of public debt, now 93 per cent of GDP, [illegible] on an explosive path. With government spending currently 67 per cent [illegible] GDP, fiscal *retrenchment on a large scale is* the only way out of Sweden's difficulties. Mr Ingvar Carlsson, the Social Democrats' leader, claims to understand this. Investors do not believe him. Last week they put enough pressure on the krona *to [illegible] a surprise increase in* [illegible] from the central bank, and, at last, [illegible] meager SKr61bn (£5.1bn) – 4 per cent of GDP – deficit reduction [illegible] from Mr [illegible]

[illegible] scepticism

[illegible] reasons to share the [illegible] scepticism about his likely [illegible] if he comes [illegible] power after the September [illegible] With unemployment approaching 15 per cent of the labour force, Mr Carlsson knows that the electorate is in no mood for further austerity. Until last Friday, the Social Democrats had conspicuously avoided specific commitments to public spending cuts for precisely this reason. Even the new proposals are short on expenditure reductions, with the majority of savings to be gained by a combi*nation of higher taxes and, less* credibly, about Skr10bn in projected reductions in future debt interest payments.

Spending cuts

Lower interest rates are a fanciful expectation as long as Sweden lacks a government that can credibly promise to do more than nibble at public spending. Indeed, without such a promise, the economy will be trapped in a vicious spiral of rising long-term interest rates, followed by rises in short-term rates to defend the currency. This will add to the effects of fiscal tightening on domestic demand. But higher interest rates will also make tightening more urgent, by pushing the debt bur*den closer to breaking point.*

If Mr Carlsson proves as protective of his public sector constitu[illegible] in office as he has been on the campaign trail, the markets' fears can only be proved right. Yet the Social Democrats have foiled *sceptics in the past: in 1982, it was* a Social Democrat government which reversed the deficit spending of the preceding anti-socialist coalition, and later in the decade introduced sensible tax reforms and significant economic deregu*lation. They were able to do this,* in part, because the population felt that the ethos of the Swedish model was safe in their hands, if not the detail.

A similar feeling lies behind the party's longstanding lead in the *opinion polls. The population's* trust would be well-founded if an incoming Social Democrat government used its mandate to explain why the public sector must be smaller and push through the measures needed to achieve this. *In the hands of Mr Carlsson,* such measures might, just might, come without abandoning the egalitarian spirit of Sweden's past, or its active approach to the labour market. But come they most certainly must.

England's local shambles

England's local government commission [illegible] about to complete its preliminary recommendations [illegible] shaking up [illegible] existing [illegible]ture [illegible] county [illegible] *cils. But it is not too late for the* government [illegible] call a halt to the process [illegible] threatens [illegible] be [illegible] in [illegible]ment.

Radical [illegible] can only be justified by urgent necessity. [illegible] English [illegible] is that [illegible] than [illegible] councils, which have [illegible] chopped and changed almost [illegible] in recent [illegible] Yet [illegible] adequate justifica[illegible] proposal [illegible] redraw [illegible] England's local government boundaries, for the [illegible] time in [illegible] years, [illegible]ing a host [illegible] councils on [illegible] hand while setting up [illegible] of [illegible] on the other.

The [illegible] establish [illegible] local government commission [illegible] part of the move to scrap the poll tax [illegible] It [illegible] a political ploy to reduce the humiliation [illegible] The [illegible] argument was [illegible] a single-tier [illegible] government would [illegible] accountability and enhance the links between voters and their councils.

It [illegible] no surprise [illegible] coun[illegible] which stand to gain from the abolition [illegible] county councils are enthusiastic [illegible] prospect. However, beyond a handful of large cities anomalously subject to county *councils, and* [illegible] handful of counties – the product of the last reorganisation – enjoying little local loyalty, there is no evidence of widespread popular demand for the proposed revolution.

Derisory responses

[illegible], the [illegible] is true. Postal referendums conducted by the commission on proposed [illegible]ganisations [illegible] yielded derisory responses of little more than 5 per cent. The commission's chief executive claims that such a response would "utterly delight any commercial concern". But that spectacularly misses the point that reorganisation can only be justified as a response to strong local demand.

Then there is the cost, highlighted this week by the government's announcement that all the costs – es[illegible]ed at about £1bn – will fall on localities. Local electors should not be fooled by talk of prospective savings, or the government's concession that it will allow councils to borrow for "unavoidable" costs.

Unlike the transitional costs, the financial benefits are largely hypothetical, and would certainly be negated by any decision of a future non-Tory government to establish strategic authorities above existing district councils. Such a decision is almost inevitable if most county councils are abolished, since districts are too small to conduct the strategic planning functions which many believe should be carried out at sub-national level. If counties are retained, they would be the obvious building blocks for that task.

Grave weakness

That, in turn, highlights another [illegible] commis[illegible] Its remit [illegible] consider [illegible] and tiers, not functions. Yet some of the weaknesses of the present regime could be tackled by a clearer allocation of functions between existing tiers, and in some cases by a straight transfer of functions downwards.

Instead of wholesale restructuring, the government should adopt a more pragmatic approach. Where change is believed to have strong public support – Bristol or Humberside, for example – district authorities should be allowed to hold referendums on divorcing themselves from their county council. Only if more than 40 per [illegible] of registered [illegible] support such a change should it go ahead.

That leaves the problem of local democracy, which is indeed in a sorry state. The solution, however, is not to be found in expensive musical chairs. It lies in the introduction of measures which render councillors truly reflective of, and accountable to, their voters.

Two necessary reforms stand out. Proportional representation for council elections would end local one-party states. And the use of advisory local referendums would give electors a direct say on local matters of concern to them, and force their councillors to say why they disagree if they refuse to [illegible] the long term there is also a case for making councils responsible for raising more of the money that they spend. But a short while after the abolition of the poll tax is not the time to revisit the local tax system.

Lisa Wood says it may be difficult to identify savings in the UK publicly funded training budget

Suitable schemes for cutting

Mr Tony Cann, [illegible] Lancashire businessman, shakes his head at reports that Mr Michael Portillo, UK employment secretary, wants to slash the government's £1.8bn training budget.

"The free market will not sort out the *training of young people* and unemployed adults [illegible] the main recipients of government-funded programmes," says Mr Cann, chairman of East Lancashire Training and Enterprise Council (Tec), one of 82 in England and Wales which administer publicly funded training on behalf of the employment department.

The Tecs, independent companies run by private-sector business leaders, have been thrust into the spotlight by recent, unconfirmed newspaper reports that Mr Portillo wants to halve their training budget. The debate over their future will be fuelled today when league tables are published showing how successful they have been over the past year in finding jobs for, and improving the skills of, unemployed peo*ple.*

Mr Portillo, a standard-bearer of Thatcherite ideas and a keen supporter of freeing labour markets from state involvement, has made [illegible] comment about possible [illegible] neither has [illegible] squashed media speculation.

As the government approaches its autumn spending review and looks for ways to cut the £50bn public-sector borrowing requirement, however, Mr Portillo is thought to be seeking ways to save some of his department's overall annual spending of £3.7bn.

Officials in his department say that he has asked them to detail expenditure on training programmes, and to assess both their value for money and the possible political reaction were training bud*get cuts to be agreed in the public* expenditure negotiations. "We are at the shadow-boxing stage with the Treasury," said one official.

Any cuts in the training budget would be at the expense of the Tecs, which the government set up four *years ago to take over the adminis*tration of publicly funded training. The two main schemes administered by the Tecs are Youth Training, a programme for young people with guaranteed places, and Training for Work, for long-term unem*ployed adults. Most have been job*less for more than a year.

Tecs, which receive most of their £1.8bn funding for these two programmes, are allotted individual budgets under complicated formulas which take into account the lev*els of unemployment in their areas.*

So how much scope is there for savings in the Department of Employment's training budget? And is the government prepared to curb the state's role in training amid general acknowledgement by industry that the UK's underskilled workforce is putting the country at [illegible] competitive disadvantage?

Speculation about Mr Portillo's *agenda at his new department has* been stoked by comments from a small group of rightwing Tory backbenchers, [illegible] minimise the role of the state. Mr Nick Bud[illegible] maverick rightwinger, [illegible] sceptical about the role of govern*ment in training. Offering training* schemes to upgrade skills, he says, was intended only as a temporary measure in the 1970s.

"Now," he says, "training by the state is applauded as a permanent part of the economy. I want to ques*tion that." This reappraisal has not* been on the political agenda for several years. Tory and Labour governments since the early 1970s have accepted that the state has a significant role to play in training the unemployed. Sustained economic *growth alone is not seen as the* solution to long-term unemployment, while market forces tend to under-provide the skills needed for workers to compete in an increasingly demanding jobs environment.

This view of the importance of [illegible] backing found [illegible] support in the recent white paper on competitiveness, published in May by Mr Michael Heseltine, trade and *industry secretary. It said that gov*ernment-backed training formed part of the "active measures" that a flexible labour market needs to help unemployed people back into work.

Mr Portillo's expenditure review will not only consider the strength *of this argument but try to ascer*tain whether the two main Tec schemes offer value for money.

It will focus first on Youth Training. Despite the "guarantee" of a place for any young person that wants one, some 59,000 young peo*ple are estimated to be falling* through the net – neither on [illegible] YT course, nor in a job. One of the main reasons that young people do not take up a YT place concerns the benefit allowance. If they receive training but no offer of a job, they *are entitled to a state allowance of* £29.50 a week, a sum which many consider too low. Were [illegible] to be cut, Mr Peter Ashby, of Full Employment UK, an employment consultancy, says: "The YTs' reputation will fall further, with more young people joining those who drop out."

Mr Ashby points out that the government plans to upgrade training for young people with the introduc*tion of* "modern apprenticeships". [illegible] aim to provide higher skills than currently achieved through YT. Mr David Hunt, shortly before the cabinet reshuffle which ended his term as employment secretary, pledged extra government funding *for this more expensive programme,* also to be administered by Tecs, to encourage employers [illegible] trainees. Any cuts Mr Portillo might contemplate in the scheme, would undermine what the government sees as a flagship venture.

The main area which Mr Portillo is likely to look at, therefore, is the £705m-a-year Training for Work scheme for unemployed adults, [illegible] replaced Employment Training last year. The programme has been criticised for several failings – even by *some* Tecs, which suggest that fewer people should be accepted on the scheme but more money should be spent on training individuals, who receive £10 a week plus their unemployment benefits. Detractors, including Labour MPs such as shadow transport secretary Mr Frank Dobson, a former employment spokesman, claim that fewer than a third of participants get jobs.

However, the league tables to be published today may dispel some of the criticisms about the performance of Training for Work. Most Tecs are expected to show improvements in finding jobs for the unemployed, despite progressive cuts in funding to programmes for the unemployed over the past three years. Mr Mike Nixon, chief executive of North London Tec, which now gets 54 per cent of Training for Work participants into [illegible] job [illegible]pared with 10.65 per cent when it inherited the scheme, says: "TFW is now looking good."

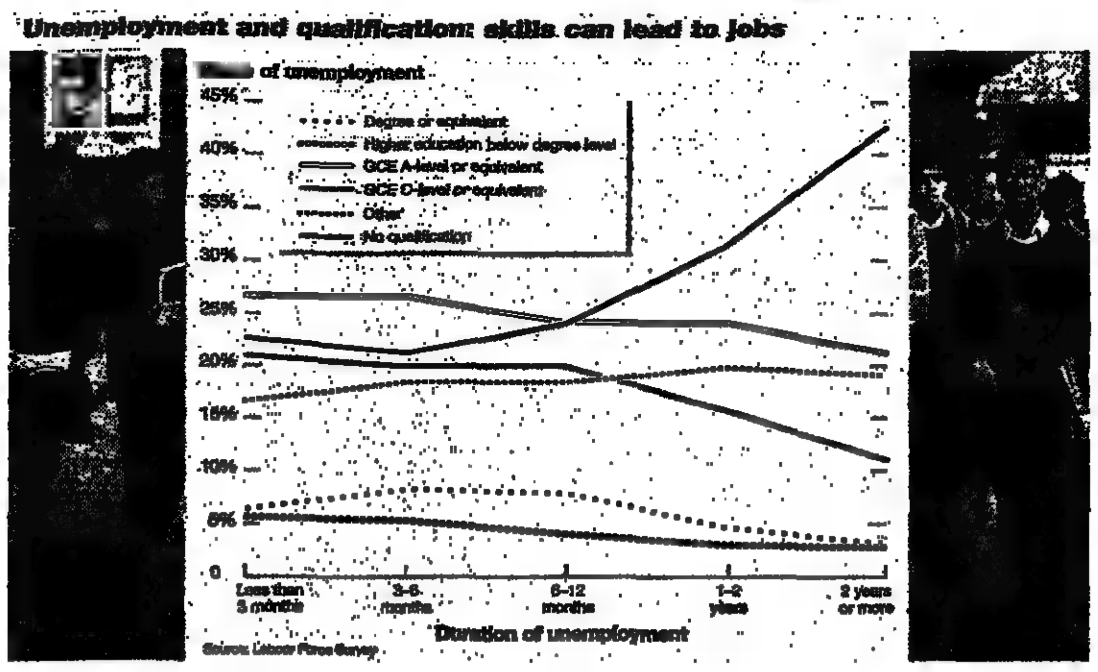
In his search for savings, Mr Portillo may decide that cheaper, non-training alternatives to Training for Work offer one solution. Job Clubs, for example, provide short courses where the unemployed learn basic skills to "enhance their job-hunting techniques", such as how to fill out a curriculum vitae. The clubs seek to get people back into work quickly without upgrading their work skills.

Employment department [illegible] will probably tell Mr Portillo that it is difficult to compare the long-term success of training schemes wi[illegible] that of Jobclubs. It may initially [illegible] cheaper to get an unemployed [illegible]son back into work through [illegible] Jobclub, but many [illegible] jobs are short-lived, while [illegible] individual [illegible] skills have [illegible] upgraded may get a better-paying, permanent job. Employment department officials believe the trade-offs between funding and jobs are more complex than they may appear.

The employment [illegible]tary will have to weigh up the relative gains provided to the individual and to the overall UK [illegible] by publicly funded training schemes. Even if he decided to slash the £705m cost of Training for [illegible] tomorrow, [illegible] government would still be faced with a massive *unemployment benefits bill. In addi*tion, about a quarter of the UK's training budget for unemployed adults comes from the European Union, which would be lost if the Tecs' main scheme was axed.

Mr Portillo's cost-cutting choices will thus be limited. Some Tecs could undoubtedly improve their performance, [illegible] cutting [illegible] amount they can spend on unemployed individuals may not enhance their success rate. Mr Chris Humphries, policy [illegible] of the Tecs' National Council, says: "I [illegible] the league tables will show [illegible]tial improvements. We hope that this will be acknowledged by maintenance of budgets, not cuts."

Unemployment and qualification: skills can lead to jobs



***Roland Rudd** suggests the upper chamber of the UK Parliament is ripe for the bin*

Time to go, m'lords

V[illegible] Cranborne's appointment last month as [illegible] the House [illegible] may represent a *sense of* continuity in the government's eyes – Robert Cranborne is a member of the Cecil family, which has held [illegible] and [illegible] since the reign of Elizabeth I. But it also underlined what is wrong with the second chamber of the UK Parliament: those given influence are determined largely by birth.

No disrespect to Lord Cranborne, who may turn out to be [illegible] good leader of the upper house, but the right of British prime ministers to bring hereditary peers into cabinet is blatantly undemocratic and should be abolished.

Imagine the outcry in the western world if the descendants of Lenin inherited the right to sit in a second chamber and were then appointed to government by President Boris [illegible] of Russia.

The only difference in the UK is the so-called pedigree of those who owe their power [illegible] their birth. Defenders of the status quo might argue that, by bestowing this right [illegible] aristocrats, Britain is able [illegible] pick ministers from families who have produced leaders for generations. [illegible] irrespective of whether the upper classes make better lead[illegible] – [illegible] assumption which is deeply spurious – there is the awkward fact that all aristocratic families started off as commoners and some as rogues.

There are dukes who owe their right to sit in the Lords to their descent from mistresses of Charles II, and lords to the fact that their [illegible] financed the British garrison in Ulster in the 17th century. There is [illegible] *leitmotiv* in all this: money buys class, and money is no guarantee of good leadership.

This does not mean that the reverse is always true – that the Lords always makes the wrong decisions because more than half of its members are hereditary peers. Indeed, it has recently provided a valuable service in watering down government plans to weaken defen*dants' right to silence and blocking* changes to the compensation system for criminal injuries.

But the fact that it occasionally, and by accident, does the right thing, does not in itself justify the House of Lords' existence.

Things which never would be missed

The question then becomes how best to get rid of it? Tony Benn, the veteran leftwing MP, had an interesting wheeze in the early 1980s. A Labour government would appoint 1,000 new peers, with excellent proletarian credentials, who would vote themselves out of existance at the earliest opportunity.

There was only one problem. How would the new Labour peers differ from the old ones who, [illegible] installed in the splendour of the upper house, have sought to defend it? The son of the first Viscount Stansgate was unable to produce a satisfactory answer.

Mr Bruce Grocott, the Labour MP for the Wrekin who has influenced new Labour leader Mr Tony Blair's thinking on the upper chamber, believes he may have found a solution. The right of those who have inherited peerages to sit in the Lords would be abolished. But the institution would remain intact, at least during the first term of a Labour government.

The attraction of Mr Grocott's idea is that more than 400 of the 1,203 members of the second chamber, who were appointed by politicians, would survive. So they would have no reason to try to block change and, together with some hereditary members, could vote through the reform. Furthermore, the first holders of a hereditary peerage would also still participate in the Lords' proceedings.

This is a nice refinement to Labour's policy during the early 1980s of straightforward abolition. It would allow hereditary peers such as Viscount Whitelaw (former deputy prime minister) and Viscount Tonypandy (a former House of Commons speaker) to remain in place.

It is not that the Labour party has a particular affinity with the first holders of hereditary [illegible] but [illegible] fears anything more ambitious would [illegible] controversial and would dominate the first year of a Labour administration.

Such proposals, however, would [illegible] a rump organisation [illegible] many Labour MPs acknowledge would still be undemocratic. Reform of the Lords has long been discussed but nobody has yet come up with workable proposals. It is not for nothing that it recently won the Graham Taylor Lifetime Achievement Award (named after the less-than-successful England football manager) from civil rights pressure group Charter [illegible] for the institution that has defied seemingly insuperable odds and survived.

Surely the lesson is that there is no middle way. Outright abolition is the only option.

OBSERVER

Not in my backyard

■ They seem to be acting up in the colonies again. Some free spirit has decided to organise a Monarchy and Australia Conference at the Australian High Commission next month and not invite anyone from Buckingham Palace, though it is but a short carriage-ride away.

The conference will concentrate on such weighty themes as "Monarchy to Republic: into the symbolic void", "How I gave up the Monarchy and came to love the Commonwealth", and "Rank desire: the imperial underbelly of the order of Australia". Professor David Cannadine, that well-known royal basher, heads a cast of speakers which [illegible] Tom Nairn on "The Chances for a Scottish Republic", and the ubiquitous Marina Warner on "From Britannia to Lady Di".

Admittedly, not all of them have a Republican bent and there will no doubt be a few nods of approval to Sir Robert Menzies, who loyally served the monarchy as Australian prime minister for 16 years.

The old boy once told the Queen that in his country "every man, woman and child who even sees you as a passing glimpse will remember it with joy. In the words of the 17th century poet: 'I did but see her passing by. But yet I love her till I die.'"

He must be turning in his grave at the news that the Sir Robert *Menzies [illegible] for Australian* Studies at the Univers[illegible] of [illegible] is sponsoring the event.

Midge too far

■ If you bump into a building worker from Miller Group, whatever you do, don't compliment him on the sweet-smells emanating from his body.

For he may be involved in constructing the bridge across the Kyle of Lochalsh to Skye in Scotland, and be a mite sensitive about his current bathing habits.

His pals have discovered one certain prophylactic against the dreadful biting midges which plague the site whenever the Hebridean winds abate.

Thanks [illegible] cosmetic company Avon's Skin-So-Soft bath oil, they can now get on with the job in peace.

And they might *not* be in [illegible] joking mood in the pub after the day's work is done.

Academic pull

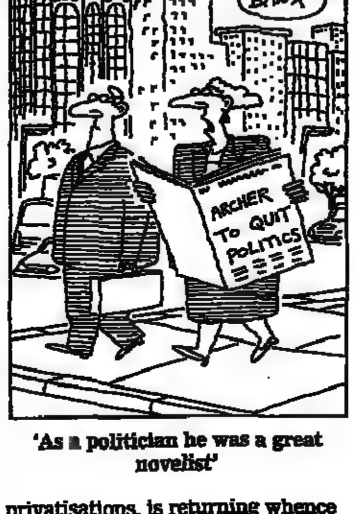
■ To lose one Treasury official may be regarded as a misfortune, to lose two . . . At the beginning of next month, just when all international eyes will be on Italy's 1995 budget plans, treasury minister Lamberto Dini will be waving *arrivederci* to a couple of his lieutenants.

Francesco Giavazzi, who has played [illegible] prominent role in recent privatisations, is returning whence he came two years ago, namely Milan's private Bocconi University. Meanwhile, Alberto Giovannini, also only *in situ* since 1992, plans to chuck in his job as head of the Treasury's international borrowing division.

He is likewise returning to his former stable, New York's Columbia University, this time as professor of international business.

The G2, as they are known for their joint work on international monetary arrangements, go protesting loudly that they have not fallen out with Dini. But the latter will miss their intellectual clout.

All he needs now is for his director-general Mario Draghi to be wafted across to his own old job – number two at the Bank of Italy.



'As [illegible] politician he was a great novelist'

WilTel, won't tell

■ Travellers along the information superhighway must still watch out for the potholes.

When LDDS, a US long-distance telephone company, announced its $2.5bn acquisition of WilTel, an advanced fibre-optic operator, reporters keen to learn more about the deal were given a toll-free number to join in a telephone conference-call hosted with WilTel's big cheese.

But the first call to the assigned number went unanswered. On redialling, it produced an engaged tone. After that, nothing. When the conference call finally started, [illegible] was not enough room for everyone who wanted to join in. Those left out were given the option of either listening to a replay of the conference later in the [illegible] – too late for most newspaper deadlines – or waiting for a faxed transcript the next day.

Oh bright dawn of [illegible] new age.

Who's on next?

■ Spotting the succession at any family company is a tricky job, and particularly so when the company is as secretive as The Paul Raymond Organisation which owns *a large chunk of Soho's nightlife.* [illegible], Raymond is getting on – he turns 69 this year – and the tragic death of his daughter Debbie [illegible] there is no obvious heir apparent.

Hence Joe Daniel's appointment as group managing director might give [illegible] few clues about what happens to one of Britain's most profitable private companies when Raymond eventually heads for the great night club in the sky.

Given that he was managing Barclays Mayfair business centre until a few weeks ago, Daniel should know his way around the business world of night-time London.

Not that Raymond seems in need of any help from his bankers. According to his last report and accounts, he [illegible] pre-tax profits [illegible] £18.3m on turnover of £29.8m and employed 83 staff.

He might not be the richest man in Britain, but there can not be many who can boast of no gearing and £25.7m of cash in the balance [illegible]

Grilling

■ First, The Savoy hotel group halves the pay-out on its [illegible] shares, then [illegible] Shepard, [illegible] managing director, emerges as catering adviser to the British Army.

So is our next concern to be a halving of the peace dividend, a disgruntled Savoy shareholder enquires.

FINANCIAL TIMES
Thursday August 25 1994

Foreigners may take majority stakes in their own ventures

India to liberalise drug industry

By Stefan Wagstyl in New Delhi

India is about to announce partial liberalisation of its pharmaceutical industry, in a move which would cut price [illegible] and allow foreign groups [illegible] majority [illegible] in their Indian ventures.

The announcement, expected in the next [illegible] days, will help revive confidence in the government's commitment [illegible] reform and [illegible] criticism that [illegible] liberalisation programme started three [illegible] flag-[illegible].

The Indian drugs industry [illegible] operated for many [illegible] regime of price [illegible] aimed at ensuring that even the poor have access to pharmaceuticals. Premier P.V. Narasimha Rao was initially reluctant to liberalise the industry, for fear of provoking a backlash from those [illegible] deregulation would lead to socially unacceptable price increases.

He now [illegible] to promote investment in the industry, but important curbs will remain.

Under the new rules, the num-[illegible] drugs which [illegible] sold above government-specified prices will be [illegible] from 142 [illegible]. Drugs, which now come under price [illegible] if their annual [illegible] Rs5m [illegible], will [illegible] controls unless their sales exceed Rs40m [illegible] year.

Foreign companies, at present limited [illegible] minority stakes in Indian affiliates, will be permitted to buy up to 51 per cent [illegible] in companies making bulk drugs, the staples of the industry. The number of drugs that can be [illegible] only by state-owned drugs companies [illegible] being cut.

The government hopes the new policy will [illegible] Indian com-[illegible] invest in [illegible] and development. Until now, they [illegible] on [illegible]. Foreign companies [illegible] unlikely [illegible] rush into India [illegible] they [illegible] concerned [illegible] the country's patent laws, which recognise only process patents and not product patents. This means that Indian drugs companies can copy western products as long as they find a slightly different way of making them.

Under the General Agreement [illegible] Tariffs [illegible] Trade's Uruguay Round accord, India has pledged to strengthen its patent laws, but the legislation [illegible] yet to come [illegible] parliament.

"It's one step forward but falls [illegible] of the industry's expectations," said Mr [illegible] Thakore, president [illegible] the Indian Drug Manufacturers Association, [illegible] largest industry [illegible]-tion with over 800 member companies.

Wellcome launches US patent suit

Continued from Page 1

[illegible] likely [illegible] be worth more than $1.3bn this year, Zovirax is the fifth biggest brand of prescription drug in the world, according [illegible] Lehman Brothers.

The legal action is a distraction for SmithKline for [illegible] Famvir is one of its most promising new products. The UK company's new chief executive, Mr Jan Leschly, has already launched it into acquisitions and new [illegible]

Ms Jo Walton, analyst [illegible] Lehman Brothers, said [illegible] if SmithKline [illegible] it could be forced to pay a royalty [illegible] Wellcome. [illegible] of [illegible] drug was unlikely.

The [illegible] biochemistry [illegible] the [illegible] drugs. [illegible] well as alleging [illegible] Famvir and Zovirax break down inside [illegible] body [illegible] virtually identical active ingredients, Wellcome [illegible] that the method by which Famvir is absorbed [illegible] previously patented.

Famvir [illegible] available only in [illegible] US and [illegible] UK, [illegible] it was launched in [illegible] year. A brief price skirmish [illegible] companies in the UK resulted in a price cut of 5 per cent for Zovirax. There [illegible] no such skirmish in the US and [illegible] two drugs [illegible] "parity on [illegible]-ing", said SmithKline.

Wellcome shares rose 11p [illegible] 720p and SmithKline Beecham's 'A' share lost 2p to 446p yesterday. Wellcome said legal [illegible] outside the US was unlikely.

Foreign securities firms to set up branches in Taiwan

By Laura Tyson in Taipei

Taiwan's Securities and Exchange Commission is expected to announce final approval today [illegible] applications by eight foreign [illegible] houses [illegible] establish branches on the island as part of [illegible] broader deregulation of the securities industry.

The [illegible] yesterday said Japan's big four securities firms (Nomura, Daiwa, Yamaichi and Nikko), Britain's Baring Securi-[illegible] and S.G. Warburg, W.I. [illegible] (the broking arm [illegible] Banque Indo-[illegible] of France), and Goldman Sachs of the US, were qualified to upgrade their representative [illegible] branches.

Until now, Merrill Lynch [illegible] only foreign brokerage permitted to [illegible] a branch in Taiwan, allowing it [illegible] in a wider range [illegible] business activities than those houses [illegible] to representative [illegible].

The [illegible] government, which has itself had a vested corporate interest in [illegible] closed market, now suggests that it would [illegible] develop the [illegible] a regional financial centre.

The liberalisation of the finan-[illegible] industry, which [illegible] long closed to foreign institutions, is also part [illegible] Taiwan's campaign to gain admission to the General Agreement on Tariffs and Trade.

S.G. Warburg [illegible] night [illegible] "delighted" [illegible] the decision, which had followed [illegible] application for [illegible] branch [illegible] summer.

Taiwan [illegible] eased [illegible] rules for foreign brokerages to set up [illegible] branch on the island, lowering [illegible] minimum capitalisation from T$200m to T$100m ($7.5m to $3.78m). [illegible] foreign brokers are still required to [illegible] operated [illegible] representative [illegible] a [illegible] before they can apply to set up [illegible] branch.

In another liberalisation move, the finance ministry said yesterday said it would allow new local companies [illegible] underwrite short-term paper, as long as they have a minimum capitalisation of T$2bn.

The government also said that, in the longer-term, banks would be able to expand their activities by underwriting [illegible] paper. Banks are currently [illegible]-ned from underwriting commercial paper.

In a related development, the finance ministry plans [illegible] break [illegible] monopoly held by [illegible] Kuomintang-controlled [illegible] Securities Finance Corp, Taiwan's only margin finance lender.

Cuba camps

Continued from Page 1

ship. Earlier yesterday, Mr Fernando Remirez de Estenoz [illegible], Cuba's [illegible] to the United Nations, said his country was prepared [illegible] the refugee problem, but only as part of [illegible] negotiations, including [illegible] trade embargo against Cuba and the [illegible] US at [illegible] base.

Blood clot protein identified

Discovery may lead to drug to prevent thrombosis

By Andrew Derrington in London

[illegible] have taken [illegible] important [illegible] finding [illegible] drug [illegible] control [illegible] clotting, [illegible] heart attacks, [illegible] and [illegible] fatal and disabling [illegible].

The [illegible] – from Oxford and Edinburgh Universities, and the [illegible] clinical [illegible] in Harrow – [illegible] identified [illegible] of [illegible] protein called [illegible] factor, which triggers blood clotting, or thrombosis. Their findings are published today in the journal Nature.

"More than half [illegible] premature deaths in the western world are thrombosis-related," [illegible] Edward Tuddenham, [illegible] the MRC [illegible].

Thrombosis is triggered when [illegible] factor combines with Factor VII, another protein in the blood. Th[illegible] a biochemical chain reaction [illegible] in the formation of a [illegible] clot, which may block a blood [illegible] and [illegible] damage. "Solving the structure of tissue factor repre-[illegible] a [illegible] important [illegible] the discovery of [illegible] drugs," said Dr Hamish Humphray, a scientist at Glaxo pharmaceuticals.

It will allow the development of potential [illegible] that will block thrombosis by inhibiting the interaction [illegible] VII and [illegible] sue [illegible].

[illegible] compounds [illegible] aleady being tested by drug companies. But the details of the structure of [illegible] will make it [illegible] to find the [illegible] potential drug.

Once a potential drug has been identified, animal trials will be used [illegible] and [illegible] toxicity. Clinical testing could begin a year [illegible] long approval [illegible] could [illegible] least 10 [illegible] drug is [illegible].

The three groups of scientists in the team [illegible] from [illegible] fields. Only the MRC group work on blood clotting. The Edinburgh biochemists made pure crystals from the protein, and the Oxford group used X-ray crystallography to work out the structure.

A number of drugs that inhibit blood clotting are already used in heart disease. New drugs in the field include Ciba's Hirudin, which is derived from leech anticoagulant, and Biogen's Hirulog. They all act by blocking the later stages of the clotting "chain-reaction".

A drug that acted on [illegible] tor could be more effective [illegible] it could begin working [illegible] in the blood clotting pro-[illegible].

[illegible] each [illegible] in the clotting pro-[illegible], the number [illegible] molecules involved increases [illegible] millionfold. Drugs that [illegible] early in the chain [illegible] work [illegible] do.

Drug companies [illegible] already screening compounds that inhibit [illegible] factor, [illegible] knowledge [illegible] structure should make [illegible] screening [illegible] much [illegible]

THE LEX COLUMN

IBM bytes back

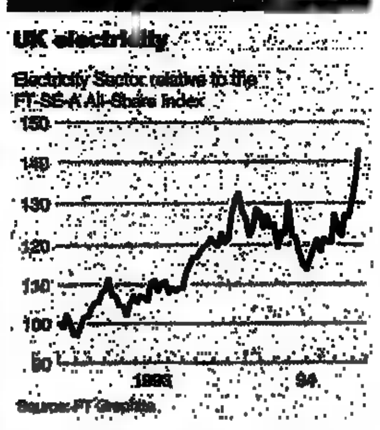
IBM had no choice but to match Compaq's sharp price cuts for personal computers. Big Blue has already lost lead position in the US pc market to its slimmer and faster rival and cannot afford to see the erosion go much further. Even so, the company will be hard pressed to win a head-to-head price war. Compaq not only has lower costs. It has proved more adept at selling its boxes through dealers and has successfully established a reputation for selling high quality computers at low prices. Given that IBM's pc business is scarcely profitable, the price cuts of up to 27 per cent will cost it dearly.

IBM's only alternative would be to differentiate its products from those of its rivals. Until recently, that seemed its strategy. It planned to push PowerPC, the chip it has developed with Apple and Motorola, as a new industry standard for personal computers. The snag is that software is typically written to work with the Intel chips which sit inside most pcs and, without a wide range of software, customers are unlikely to switch technology. The latest comments from IBM's new pc chief Mr Rick Thoman indicate that he is retreating from the PowerPC strategy.

IBM is therefore reduced to joining the price war. To hold its own, the pc division will have to slash costs and transform its sleepy culture. IBM, under its chairman Mr Louis Gerstner, has already surprised financial markets by how quickly it can cut costs. So [illegible] cannot be ruled out. In the meantime, the real winner from the price war will be Intel.

FT-SE Index: 3205.2 [illegible]

UK electricity



Source: FT Graphite

Wellcome/SmithKline

Investing in pharmaceuticals companies was risky even before the recent proliferation of legal actions. Glaxo is already entangled in the US courts trying to defend its best selling product. Now Wellcome has followed suit, claiming that the US patents of its anti-viral drug Zovirax have been infringed by SmithKline Beecham's Famvir. In both cases investors are left groping for hard information.

In theory it should be possible for the stock market to assess such legal challenges by considering the chances of success or failure and the potential profits at risk. Since Famvir has only been on sale for a matter of weeks, though, even short-term forecasts are tricky. And it would take an expert on US patent law to make a credible guess at Wellcome's chances of success. If the case ends up being heard by a North Carolina jury rather than a judge, as Wellcome has requested, the outcome will be even more unpredictable.

The best that can be said is that the case is probably more important for Wellcome than for SB. On even the most optimistic forecasts, US sales of Famvir will account for a relatively small proportion of SB's profits by the end of the decade. If Wellcome could clear the field for its own anti-viral products the outlook for it would be markedly brighter. The rise in its shares yesterday may reflect that line of thought. The snag is that resorting to the courts undermines Wellcome's earlier argument that competition would be good for Zovirax by increasing awareness among doctors and expanding the market.

W.H. Smith

Those seeking reasons for not buying shares in W.H. Smith have rarely had to look far. Of late they have been spoilt for choice. They could worry about monopoly inquiries into newspaper distribution or compact discs, the losses at Our Price, the group's ability to compete in a low inflation world, the future of the Net Book Agreement, the rising tax charge, the falling pension credit, or the continuing nightmare that is Do It All. For the really fastidious there was even a two tier share structure.

Now the doubters are having to work harder. The two classes of share have gone, Our Price is back in profit, the group has shown it can live without inflation and it rightly sees the likely collapse of the NBA as an opportunity to gain market share. Even losses from Do It All are coming down and will be largely swept under the carpet this year.

The pessimists can still fret about the growth prospects for [illegible] W.H. Smith chain. But there remains room to tickle up margins, as the investment in technology continues, and it is now taking advantage of weakened competitors to open more space. The Virgin and Waterstone's formats still have a long way to go, with the full benefits of integration into the group yet to come, and there are clearly the makings of a useful business in the US even if the – reassuringly cautious – expansion in book retailing comes to little. Add the fast-growing office supplies business to the mix and Smiths has a good story to tell. Given fewer distractions, the sceptics might just start to believe it.

UK electricity

[illegible] purchase [illegible] 2m of its own shares should herald the beginning of a wholesale capital reconstruction of the electricity sector. But shareholders will only derive the full benefits if regional electricity companies reshape their balance sheets with vigour. Seeboard's buy-back corresponds to less than 1 per cent of its equity. Even buy-backs of 10 per cent – the maximum most companies have [illegible] authority for – would still [illegible] the industry with gearing of about 10 per cent. Companies should be thinking of cutting their equity by [illegible] twice that amount.

The immediate advantage of a buy-back is to boost earnings per [illegible]. The consequent loss of interest income is more than compensated for by the cancellation of shares. Analysts estimate that, for a typical rec, buying back 10 per cent of its equity would enhance eanings per share by roughly [illegible] advantage for [illegible] that a buy-back reduces the risk that cash could end up in somebody else's pocket. It is not merely that managements might embark on unwise acquisitions. Cash piles could also prove an easy source of taxation for an incoming Labour government.

Whether Seeboard has chosen the best way of handing cash back to its shareholders is more questionable. Recs will have to pay advance corporation tax on share purchases through the market. For tax-exempt investors, a share tender or some other mechanism that allowed them to reclaim tax would be preferable.

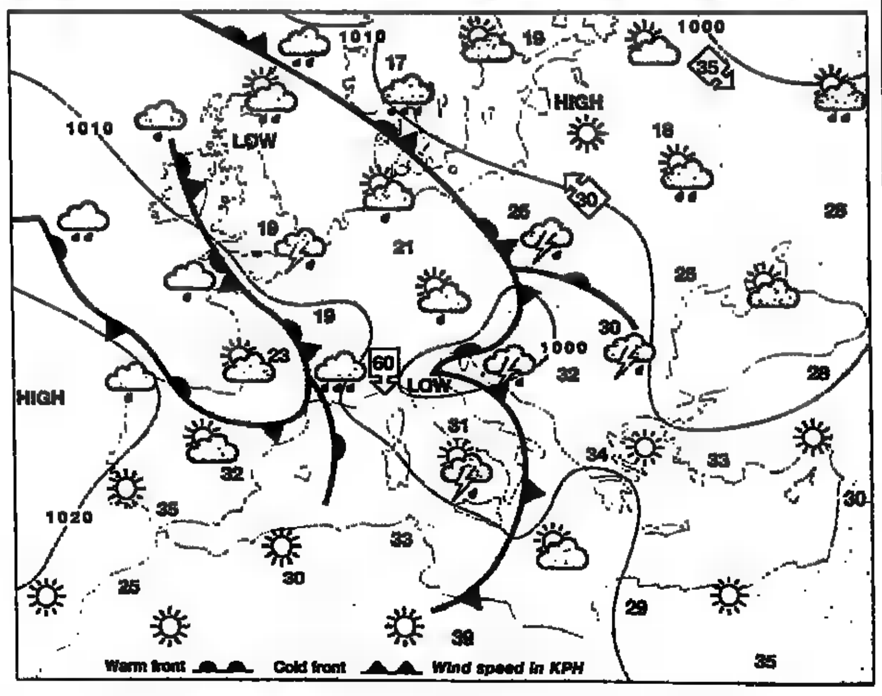
FT WEATHER GUIDE

Europe today

A strong westerly [illegible] flow [illegible] spread [illegible] a result, [illegible] will move quickly [illegible] sweeping [illegible] Low [illegible] The [illegible] will [illegible] sunny periods [illegible] The Benelux will experience frequent showers, [illegible] with a [illegible] of [illegible]. Temperatures will [illegible] unseasonably [illegible] active front will give periods of heavy rain in a zone [illegible] southern [illegible] Alps. Southern Europe will [illegible] gradually [illegible] Spain will be quite sunny and dry. Italy [illegible] amounts [illegible] with some thunder [illegible] Greece and Turkey will have a lot of [illegible] High [illegible] over [illegible] will give sunny [illegible] over northern [illegible]

Five-day forecast

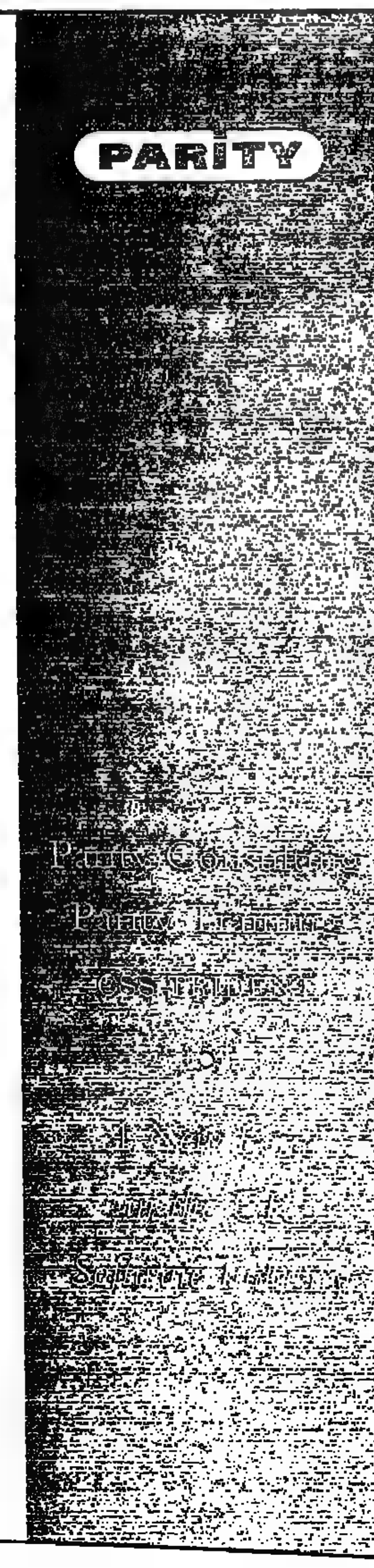
North-west Europe will [illegible] as [illegible] westerly [illegible] bring [illegible] zone [illegible] Europe [illegible] spell [illegible] heavy rain over Poland, [illegible] Germany [illegible] Scandinavia, especially on Friday and Saturday. [illegible] Europe will be mainly settled and sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	[illegible]	Caracas	thund	27	Faro	[illegible]	28	Madrid	[illegible]	32	Rangoon	rain	29
	[illegible]		[illegible]	[illegible]	17	Cardiff	[illegible]	18	Frankfurt	[illegible]	21	Majorca	[illegible]	[illegible]	[illegible]	shower	[illegible]
Abu Dhabi	sun	40	Belgrade	shower	32	Casablanca	fair	24	Geneva	shower	20	Malta	sun	34	Rio	fair	22
Accra	shower	29	Berlin	shower	18	Chicago	cloudy	32	Gibraltar	sun	30	Manchester	shower	17	[illegible]	sun	28
Algiers	fair	[illegible]	[illegible]	fair	32	Cologne	[illegible]	19	[illegible]	[illegible]	17	Manila	[illegible]	33	[illegible]	fair	23
Amsterdam	[illegible]	18	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	30	Hamburg	[illegible]	19	[illegible]	[illegible]	17	Seoul	thund	30
Athens	sun	33	Bombay	rain	31	Dallas	[illegible]	38	Helsinki	[illegible]	19	Mexico City	[illegible]	22	Singapore	cloudy	32
Atlanta	fair	31	Brussels	rain	17	Delhi	shower	30	Hong Kong	fair	32	Miami	thund	32	Stockholm	shower	[illegible]
B. Aires	fair	17	Budapest	shower	25	Dubai	sun	40	Honolulu	cloudy	33	Milan	shower	28	Strasbourg	fair	[illegible]
B.ham	fair	18	C.hagen	rain	17	Dublin	shower	18	Istanbul	sun	29	Montreal	shower	23	Sydney	sun	19
Bangkok	rain	33	Cairo	sun	34	Dubrovnik	fair	30	Jakarta	fair	32	Moscow	fair	17	Tangier	sun	27
Barcelona	fair	27	Cape Town	fair	21	Edinburgh	shower	17	[illegible]	shower	18	Munich	rain	[illegible]	Tel Aviv	sun	32
									[illegible]	cloudy	33	Nairobi	fair	[illegible]	Tokyo	cloudy	28
									Kuwait	sun	45	Naples	sun	27	Toronto	shower	[illegible]
									L. Angeles	fair	25	Nassau	thund	33	Vancouver	fair	[illegible]
									Las Palmas	fair	27	New York	fair	[illegible]	Venice	shower	25
									Lima	cloudy	19	Nice	fair	[illegible]	Vienna	rain	18
									Lisbon	fair	[illegible]	Nicosia	sun	38	Warsaw	fair	[illegible]
									London	fair	[illegible]	Oslo	rain	18	Washington	fair	30
									Lux.bourg	[illegible]	[illegible]	Paris	shower	19	Wellington	shower	14
									Lyon	cloudy	[illegible]	Perth	[illegible]	23	Winnipeg	fair	[illegible]
									Madeira	fair	[illegible]	Prague	rain	15	Zurich	shower	17

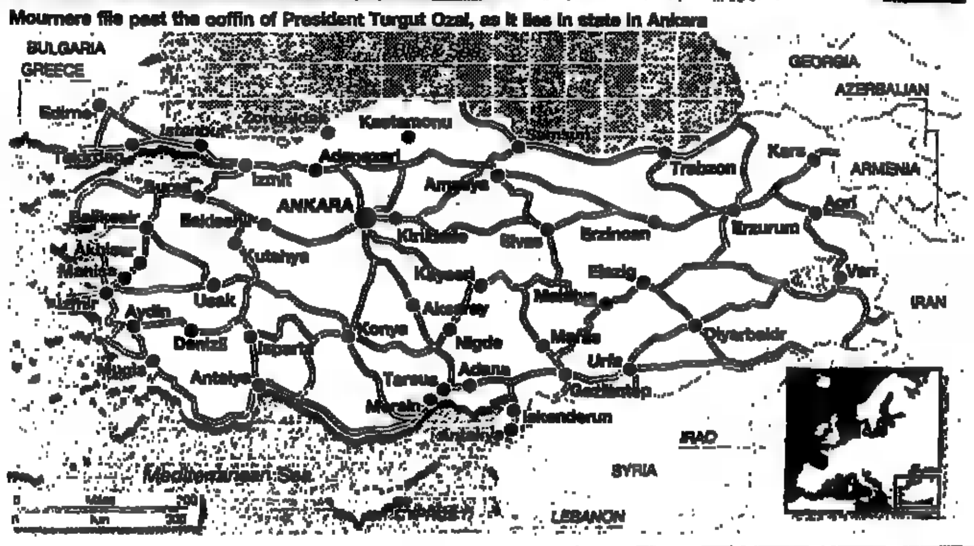


TURKEY

SECTION III

Friday May 7 1993

Mourners file past the coffin of President Turgut Ozal, as it lies in state in Ankara



A country in the throes of change has suddenly been deprived of its leader. Many of Turgut Ozal's achievements are irreversible, but Turkey still faces daunting problems with the added danger of political instability. The process of choosing a new president begins tomorrow.

Shaking the kaleidoscope

By John Murray Brown and Edward Mortimer

TURKEY TODAY [redacted] country [redacted] throes [redacted] dramatic change, both internal [redacted] external. With [redacted] highest growth [redacted] in the Organisa[redacted] of [redacted] Co-operation [redacted] Development (OECD), [redacted] inflation running [redacted] over 50 per cent.

Its [redacted] opened [redacted]sively [redacted] the outside world [redacted] the last ten years, and a full customs union with the EC is scheduled for 1995. Meanwhile, the strategic environment has [redacted] upside [redacted] by [redacted] end [redacted], and the country [redacted] sur[redacted] by [redacted] of conflict and instability. Its own south[redacted] region [redacted] for [redacted] years been [redacted] scene [redacted] civil war, which just [redacted] peaceful conclusion.

At [redacted] in its history, the country has [redacted] deprived [redacted] leader [redacted] in [redacted] last decade did most to shape its destiny. [redacted]ident Turgut Ozal died [redacted] April 17, [redacted] parliament [redacted] in the first [redacted] four *possible ballots to choose his* successor. Although for [redacted] last year and a half he has been in office rather than in power, his influence remained [redacted], and his death has [redacted] political kaleidoscope.

[redacted] was [redacted] of Turkey's economic recovery and an unflinching supporter of its traditional pro-western foreign policy.

The [redacted] a consumer society, [redacted] revival [redacted] European identity, Turkey's [redacted] support of [redacted] US-led coalition against Iraq: on all [redacted] Turks to look [redacted] country anew.

He also played an important part in the [redacted] of [redacted] Black [redacted] co-opera[redacted], and in encouraging [redacted] links with [redacted] Turkic-speaking [redacted] Asian [redacted].

[redacted] power [redacted] policy, [redacted] during [redacted] and its Kurdish aftermath, had not [redacted] the [redacted] Motherland Party in [redacted] 1991 general election. [redacted] no Turkish party [redacted] politician can [redacted] ignore his impact.

[redacted] put in place in the early [redacted] laid [redacted] ground [redacted] Turkey's buoy[redacted] to health after the stop-go performance of the pre[redacted] decade. [redacted] ten years of growth [redacted] more than 5 per cent, *Turkish society* today is much more [redacted], and Turks [redacted] more self [redacted] country's membership of the European Community may still be [redacted] distant dream, but the westernising *tre[illegible]* continues space.

[redacted] was criticised for challenging the secular leg[redacted] *of* [redacted] *Kemal Atatürk,* the republic's founder. Yet [redacted] the social democrats – political guardians of secularism – are starting to rethink [redacted] doctrine [redacted] Kemalism, which was used to justify the military's intervention three times between 1960 and 1980. Another charge against [redacted] he [redacted] free rein [redacted] radical [redacted] elements. Politicised Islam [redacted] certainly [redacted] persistent, if small, force, but [redacted] politicians [redacted] be [redacted] within Turkey's [redacted]racy.

[redacted] foreign policy, [redacted] pow[redacted] prevent [redacted] regional conflicts, Turkey [redacted] learning to use its growing dip[redacted] weight [redacted]tion on [redacted] Armenia and Azerbaijan in the Caucasus, and to galvanise the west to firmer [redacted] Turkish [redacted] jets [redacted] Nato [redacted] now helping [redacted] UN no-fly [redacted].

[redacted] Turkey [redacted] ill afford [redacted] long period of party bickering. [redacted] country [redacted] urgent agenda ranging from [redacted] Kurd[redacted] insurgency through relations with [redacted] problems highlighted [redacted] OECD report.

[redacted] breakthrough in [redacted]flict [redacted] Kurdish separatists, [redacted] in sight, [redacted] by no [redacted] assured. Ankara [redacted] yet [redacted] frame [redacted] the [redacted] fire [redacted] March by [redacted] Workers' Party [redacted] The [redacted] in hostilities provides [redacted] opportunity for the [redacted] to [redacted] *judicial and human rights* [redacted] in [redacted] Kurdish-speaking region, which until now has been largely denied them, owing to [redacted] special measures [redacted] in the fight [redacted] terrorism. [redacted] development [redacted] been announced, but it remains [redacted] be seen how [redacted] *the Turkish state will go in* allowing the exp[redacted] of [redacted] Kurdish identity through political parties, or through the use [redacted] the [redacted]guage in schools, [redacted] and [redacted]ion.

[redacted] Europe, too, negotiations are [redacted] a turning point as Turkey and the EC enter the last *lap in their progress to acus*toms union. By the end of 1995, if all [redacted] to plan, Turkey should have lifted all import [redacted] on EC [redacted] and adopted the Community's common external tariff. There will almost certainly be an attempt to link Turkey's [redacted] with EC [redacted] on textile imports, currently limited by a quota arrangement which is technically in breach [redacted] the [redacted] Agreement.

[redacted] deadline approaches, Turkey's powerful industrial lobbies will no [redacted] try to cling [redacted] their privileges. But no government can long [redacted] let Turkish industrial[redacted] produce high-cost [redacted] products behind [redacted] wall [redacted] protective [redacted] Turkish [redacted] and foreign [redacted] will [redacted] clear signal from Ankara of its commitment [redacted] open the Turk[redacted] market. Any slip-up [redacted] this [redacted] hurdle would [redacted] Turkey's long term [redacted] for full EC membership.

[redacted], the [redacted] domestic product [redacted] by [redacted] per [redacted] than [redacted] economy in the OECD. But with the population also increasing by 2.1 per cent each year, there is little room for [redacted].

[redacted] has been made [redacted] the budget [redacted], but [redacted] underlying [redacted] of [redacted] increasing, and [redacted] administration still has [redacted] prove [redacted] serious about [redacted]ling [redacted] the mounting problems [redacted] enterprises. [redacted] result, [redacted] all but stopped.

Challenging enough [redacted] government with [redacted] strong hand [redacted] helm, Turkey's [redacted] could suddenly seem insurmountable [redacted] period [redacted] political drift [redacted] in.

By [redacted] death would have been suffi[redacted] stimulate [redacted] of national introspection. But *when it emerged that his great* rival, [redacted] minister Süleyman [redacted] likely to stand as a presidential candidate, [redacted] way [redacted] was suddenly clouded with uncertainty. [redacted] while Demiral could be [redacted]ably confident [redacted] success, the [redacted] *to* [redacted] of [redacted] True [redacted] Party (DYP – the largest in the present parliament) [redacted] much [redacted] obvious. The leader [redacted] party would certainly [redacted] to [redacted] government, [redacted] by [redacted] that [redacted]ent coalition of DYP and [redacted] will continue. [redacted] should parliament by [redacted] chance [redacted] state, [redacted] four [redacted] it would [redacted] automatically [redacted] solved [redacted] country plunged immediately [redacted] general [redacted].

The politicians may yet [redacted] themselves through the [redacted] would provide [redacted] guarantee [redacted] durability of [redacted] political and economic reforms [redacted] motion by [redacted] president. [redacted] elections for [redacted]idency are always fraught in Turkey, [redacted] *though* [redacted] *is a* largely ceremonial post. This time will provide a thorough [redacted] maturity of [redacted] political system, and any fur[redacted] political and economic reforms must [redacted] in doubt as [redacted] as the threat of early election [redacted] over the parlia[redacted].

The promised land is still some way [redacted] Whatever admin[redacted] challenges confronting Turkey remain awesome. [redacted] there can now be no turning back [redacted] the road on which Turgut *Ozal struck out.*

IN THIS SURVEY

PRESIDENT Turgut Ozal's sudden death from heart failure on April 17 was a severe blow, setting off [illegible] unpredictable chain of events.

If the [illegible] of Mr [illegible] is followed by a decision by prime minister Süleyman Demirel to [illegible] as a candidate for [illegible] presidency, this would [illegible] the two principal [illegible] from the Turkish political stage.

One possibility is that [illegible] present turmoil will eventually encourage the [illegible] right-wing parties to join forces. It may also result in a reunification [illegible] the left. This in turn could force through a new generation of younger Turkish politicians. These, at least, are the hopes [illegible] many Turks.

Politics: at a time of great uncertainty, **John Murray Brown** considers what may happen next

A new generation may now get its chance

It would be hard to [illegible] [illegible] True Path (DYP) party without Mr Demirel, if he gives up the leadership to become president. Yet much the [illegible] of the late Mr [illegible] when he had himself appointed [illegible] presidency [illegible]. In [illegible] event, after a bitter internal struggle, the Motherland Party (Anap) [illegible] today with a good chance [illegible] winning the next [illegible] under Mr Mesut Yilmaz, a [illegible] of experience and a former prime minister.

Few [illegible] the parliament's [illegible] deputies appear [illegible] to [illegible]tle the issue with early [illegible]tions. [illegible] Mr Demirel [illegible] the helm to [illegible] the party through the next election, [illegible] DYP parliamentarians would expect [illegible] lose their [illegible] and, more important, lose [illegible] lever of patronage [illegible]

The question of who would succeed Mr Demirel [illegible] DYP head [illegible] first to be settled. Various names have been put forward, including that of interior minister Ismet Sezgin, a respectable if uninspiring figure. Mrs Tansu Çiller, the feisty economy minister, [illegible] made no [illegible] of [illegible] leadership ambitions, although conservative elements in DYP may block her. Parliamentary speaker Husamettin Cindoruk would be a [illegible] popular [illegible], although his maverick [illegible] on issues in defiance of

The right-wing parties may join [illegible] – with reunification on the left

the DYP [illegible] some party support.

The [illegible] for a new [illegible] could well lead [illegible] the collapse [illegible] the 17-month [illegible] coalition with the Social Democratic Populists [illegible], and the painstaking formation of a [illegible] government.

[illegible] put up [illegible] a lot to [illegible] their [illegible]. If the history [illegible] is a fairly unhappy one, it [illegible] unstable [illegible] of Turkish political loyalties. [illegible] 1960, [illegible] country has seen three military coups. Successive interventions have left the political landscape riven with fault lines.

But today, particularly among young people, there is a growing disillusion with the old-style patronage politics. Like peers in the House of Lords, Turkish deputies [illegible] under public fire, the lat[illegible] being the parliament's appalling record [illegible] absenteeism.

Apart from the [illegible] parties, particularly the Islamic right, divisions in Turkish politics remain artificial. The [illegible]trum [illegible] from fundamentalist Islam to nationalists of both left and right. In between these [illegible] centre-right parties, two social [illegible] parties, and a radical Kurdish group, the People's Labour party (HEP).

The recent proliferation – there are now 10 [illegible] with representation in parliament – is not so much a measure of Turkish pluralism, [illegible] result of Mr Demirel's [illegible] to lift [illegible] ban on parties outlawed by [illegible] generals in 1980.

[illegible] the right, it [illegible] hard [illegible] distinguish [illegible] the [illegible] Anap, currently [illegible] main opposition party. The [illegible]mer [illegible] the inheritor of the Justice party, [illegible]

Mrs Tansu Çiller has made no secret of her leadership ambitions . . .

. . . but Husamettin Cindoruk would be a more popular choice

[illegible] coup. The Justice party, without [illegible] to [illegible] explicitly, was the natural [illegible] to the right-wing populists [illegible] the Democrat party [illegible] Adnan [illegible], the Turkish prime minister [illegible]cuted in 1961.

Anap [illegible] more closely identi[illegible] with the urban middle [illegible]. It [illegible] business [illegible] Istanbul, [illegible] the DYP [illegible] strong in [illegible] Aegean.

Both parties are broadly committed to the market-based economic policies pursued by Mr [illegible] from the early [illegible] although [illegible] DYP has shown [illegible] instinct [illegible] Keynesian style interventionism than Anap. As long [illegible] the right-wing parties control a future government, Turkey will continue to pursue a pro-western foreign policy.

The right-wing vote in Turkey [illegible] traditionally accounted [illegible] 60 per cent [illegible] electorate, and many analysts [illegible] there will be an overwhelming logic for the parties [illegible] bury [illegible] differ[illegible].

But for all the similarities, a DYP-Anap coalition will not be easy to forge in the wake [illegible] recent corruption allegations. For the first time since the military coup, two [illegible] ministers were put on trial earlier this year, charged with irregularities [illegible] government procurement contracts. Anap's response has been to mount a vitriolic campaign [illegible] slander against [illegible] minister Cavit Caglar.

In a recent poll, Mr Caglar emerged as the least popular of the main Turkish politicians. He remains a close confidant of Mr Demirel, and Anap's campaign has clearly hurt Mr Demirel's public standing.

On the left, the picture is equally unresolved. Mr Erdal Inonu's SHP has of late looked distinctly uncomfortable, as the junior coalition partners of the DYP, on sensitive issues like policy towards the Kurdish minority, on the new edu[illegible] bill which reflects the growing influence of the [illegible] lobby in the ministry, [illegible] on the recent ban on private radios – an issue on [illegible] the coalition has lost considerable public sympathy.

Also [illegible] the left, [illegible] Republi[illegible] People's party (CHP) has emerged as [illegible] main beneficiary [illegible] the lifting of [illegible] ban on political parties, although predictions that [illegible] numbers [illegible] SHP deputies would [illegible] the CHP proved exaggerated.

The CHP currently has 21 seats, [illegible]red with 54 for the SHP. The main loser has been Mr Bulent Ecevit, the former prime minister, whose Democratic Socialists (DSP) has now been reduced to just three [illegible].

Where the DSP has fallen down, the Moslem-based Wel[illegible] party (RP) has made ground. The party, which has [illegible] on an anti-western Islamic platform, and has done well in [illegible] by-elections among the disaffected populations of the [illegible] constituencies, particularly in Istanbul.

The one unknown in all this [illegible] what role Kurdish politics is to play in Turkey. The constitution currently [illegible] politicians from appealing to explicitly ethnic sentiment. But if the [illegible] Kurdish political groups are able to forge a common stance in the wake of the rebel ceasefire, there could soon be a new force to contend with, creating quite new fissures in Turkish politics.

The end of an era

[illegible] Turgut Ozal, who [illegible] dominant figure in Turkish politics for [illegible] years, died on April 17. **Edward Mortimer** assesses [illegible] legacy

[illegible] TURKISH [illegible] the [illegible] of [illegible] republic, [illegible]tafa Kemal Atatürk, [illegible] such profound changes [illegible] his country [illegible] Tur[illegible] Ozal, [illegible] prime minister [illegible] to [illegible], and president from [illegible] until his death three [illegible]. And none, at least since [illegible] Menderes (prime minister throughout the 1950s), [illegible] his personal stamp [illegible] firmly on [illegible] country's politics.

[illegible] to be [illegible] in Istanbul, which suggests [illegible] have thought of him as a pre[illegible]. [illegible] Turkish politics in a democratic [illegible] after a period [illegible] authori[illegible] rule, [illegible] relaxing [illegible] grip on the economy [illegible] presiding [illegible] a period [illegible] rapidly growing prosperity. [illegible] firmly pro-western in their foreign policy: [illegible] troops [illegible] and [illegible] Turkey into Nato, Ozal [illegible] for EC [illegible]ship [illegible] Turkish [illegible] for operations against Iraq during and [illegible] Gulf war.

[illegible] found [illegible] exploiting [illegible] Turkish people's profound [illegible] to Islam without directly challenging Ataturk's legacy [illegible]. Similarly, both contrived to [illegible] seen as more sympathetic, or [illegible] any [illegible] oppressive, than their predecessors by [illegible] Kurdish population [illegible] south[illegible] Turkey, though [illegible] firmly committed to [illegible] unity [illegible] the country [illegible] if it [illegible] be maintained by [illegible].

[illegible] highly [illegible] figures, [illegible] by many [illegible] gathering too much power in their own hands and using it [illegible] enrich [illegible] and their families. [illegible] political [illegible] their [illegible]. But, while Menderes [illegible] overthrown by a military coup and subsequently hanged, [illegible] first [illegible] control [illegible] own party and [illegible] the polls, being [illegible] obliged for the [illegible] year [illegible] a half of his presidency to [illegible] with a government formed by his opponents.

He remained [illegible] office, but out of power – a situation he exploited [illegible] regain popularity by making public gestures [illegible] going beyond government policy [illegible] various [illegible] by public sentiment. His [illegible]den death provoked [illegible] outpouring [illegible] genuine grief which, while [illegible] quite unanimous, [illegible] much [illegible] than his popularity [illegible] he [illegible] in power. Many Turks [illegible] only [illegible] much he [illegible] done to change their lives, mostly [illegible] better.

[illegible] so much more happily and [illegible]fully [illegible] of Menderes [illegible] ing democracy, as in [illegible] other respects, he had [illegible] able to take things further than Menderes did. It would be hard to say how far that was due to his personal qualities, and how far to the simple fact that, in spite of setbacks, the process of change had continued during the intervening generation. No doubt whoever ruled Turkey during the 1980s would have been obliged to [illegible] up [illegible] world, and [illegible] was elected to power after the military regime of 1980-3 would have gradually relaxed political constraints and allowed greater freedom.

In the latter respect, Ozal in [illegible] moved fairly gingerly. Although his coming to power in 1983 was undoubtedly a slap in [illegible] generals, who had intended the election to be won by one of their own number, it is also true that it could not have happened [illegible] for the ban on the entire pre-1980 political leadership which the generals had imposed.

As prime minister with President Kenan Evren, the author of the 1980 coup looking over his shoulder, Ozal took only slow and cautious steps to dis[illegible] censorship and other

The truth is that nearly all [illegible] are [illegible] off now than they were when Ozal came to power

restrictions or to curb human rights violations. In the referendum on restoring political rights to the banned leaders, by then his rivals, he took a formally neutral position.

Süleyman Demirel, the pre-coup prime minister who had brought Ozal into government as an economic technician, always regarded his subsequent emergence in a political role as tainted with illegitimacy. Demiral also contested the legitimacy of Ozal's election as president in 1989 by a parliamentary majority which, [illegible] that point, [illegible] from reflecting a majority in the country. Having [illegible] revenge in 1991, when he trounced Ozal's party [illegible] polls [illegible] came [illegible] prime minister, Demirel now [illegible] bitter-sweet prospect of succeeding Ozal as president in rather similar circumstances.

Turgut Ozal: parallels with Menderes Picture: Terry Kirk

An [illegible] by training, [illegible] bolder in [illegible] than in political reforms. Between 1980 and 1982, as deputy prime minister in charge of economic policy, he brought down inflation from 107 to 25 per cent by withholding state support from industrialist and consumer alike, allowing the exchange rate [illegible] domestic interest [illegible] to shoot [illegible] while wages [illegible] behind [illegible] uncompetitive [illegible] including some [illegible] went bankrupt. At this point he resigned and started quietly building his own political party, which the generals made the mistake of not taking seriously until [illegible] late: they probably thought he had made himself too unpopular to matter.

Once in power in his own right, he continued with free-market reforms – deregulation, lowering of import barriers, abolition of exchange controls, full convertibility of the lira, and a start on privatisation – but [illegible] much [illegible] rigorous [illegible] supply. By 1991 inflation was back up at [illegible] per cent, and [illegible] Turkey enjoyed record growth [illegible] through [illegible] benefits were far from equally shared. There was a widespread feeling that the rich in general, and the Ozal family in particular, were getting much more than their due.

Yet the truth is that nearly all Turks are materially better off now than they were when Ozal came to power. And he brought the country some less tangible benefits, too. Having outwitted the military and come to power with their reluctant blessing, he was less overawed by them than earlier civilian leaders had been. For the first time in the republic's history, he proved – by imposing his own choice as head of the armed forces in 1987, and by ignoring their views during the Gulf crisis in 1990 – that the civil power can control the military rather than the other way round.

He was not overawed, either, by the towering figure of Atatürk, whose picture adorns every public building in Turkey. In his last years, especially, he was quite uninhibited about his public behaviour, whether observing Islamic rites, indulging his appetite for the good things of life (including some from which a stricter Moslem would abstain), or simply saying what he thought. He was a figure with whom ordinary Turk[illegible] could identify, including many of those who [illegible] proud [illegible] be Kurds, or pious Moslems, or [illegible] both. [illegible] leaves [illegible] not only a [illegible] country, but [illegible] better equipped than it was for living at peace with itself.

هكذا من الأصل

'I've been careful to control my attitude'

Four times prime minister, twice deposed by a military coup, and now almost certain to be elected president, Süleyman Demirel is the arch-survivor of Turkish politics. Two days after the death of President Turgut Ozal last month, Mr Demirel talked to Edward Mortimer and John Murray Brown

Some Turks are saying President's Ozal's death marks the end of an [redacted] in Turkish politics. How do you evaluate his contribution?

■ Let me say this. I knew him [redacted] almost 43 [redacted] Between 1965 and 1971 he was my adviser, then he [redacted] under-secretary [redacted] the planning [redacted] I put him there.

In 1979, I brought him [redacted] the administration again. Later [redacted] had [redacted] problems, because between 1980 and [redacted] I [redacted] not [redacted]

In 1991 we campaigned [redacted] him [redacted] Cankaya [[redacted] *presidential palace*]. [redacted] were not able [redacted] enough votes, and since then I've [redacted] careful [redacted] control [redacted] attitude, [redacted] protect the country from any harm. [redacted] happened, I [redacted] awfully sorry. Because once you [redacted] many years [redacted] friends, it doesn't matter [redacted] happens in [redacted] last [redacted] 10.

Do you think [redacted] who [redacted] pressing you [redacted] accept the presidency really want [redacted] step down from power?

■ [*laughing*] [redacted] possible! But the president [redacted] very important. He can prevent both government and parliament from functioning. The *president should* have [redacted] understanding, and [redacted] helpful [redacted] government.

Even if it is composed [redacted] parties [redacted] from his own?

■ When you [redacted] president, you should forget [redacted] parties.

Mr Ozal is [redacted] ing the [redacted] a solution [redacted] the Kurdish problem. What [redacted] your [redacted]

■ One can [redacted] problems [redacted] still there. None of them [redacted] been solved.

Abdullah Ocalan [[redacted] *of* [redacted] *rebel Kurdistan Workers' Party*] has agreed to [redacted] his ceasefire. Are [redacted] closer [redacted] a solu-[redacted]

■ We [redacted] hear him, [redacted] ever he [redacted] you [redacted] hearing [redacted] then he [redacted] party to the problem. If [redacted] him [redacted] party to the problem, [redacted] we [redacted] be dealing with him. [redacted] should never [redacted] him. I [redacted] think [redacted] should deal with [redacted] man attacking us.

[redacted] won't tell him "don't stop", but nor [redacted] we tell [redacted] "we are very happy that you've stopped", and then negotiate.

[redacted] helpful a [redacted] has [redacted] played by Mr Jalal Talabani [redacted] the Iraqi [redacted]

■ I saw Talabani five or six days [redacted] and told him: "You shouldn't be [redacted] mediator between the Turkish [redacted] and those terrorists, but if you think they [redacted] killing Kurds, brothers killing brothers, then if you as a Kurd yourself [redacted] it should [redacted] stopped, it is up to you".

I am [redacted] telling him "don't [redacted] anything", but "don't [redacted] a mediator, don't get any instructions from us". I [redacted] closing the door. We don't [redacted] bloodshed. [redacted] are trying [redacted] a [redacted] approach [redacted] the problem. We offer them justice [redacted] law.

[redacted] or even [redacted] degree of clemency?

■ *Actually there* [redacted] *laws.* They can [redacted] from [redacted] "repentance" law, [redacted] parliament [redacted] enlarge it.

Would part [redacted] this [redacted] approach [redacted] to allow Kurdish schools, or introduce the Kurdish language into schools?

■ No, [redacted] something [redacted] won't [redacted] anything which would [redacted] understood [redacted] gain for terrorism. Then we wouldn't [redacted] run [redacted] country.

But leaving terrorism aside, [redacted] not [redacted] strong case for doing it in its own right?

■ If there is [redacted] strong case for anything [redacted] be done, [redacted] will do it, but not now, because *then it would be seen as* [redacted] *con*cession, which would fuel terrorism in the coming years.

What does Kemalism mean in [redacted] 1990s?

■ [redacted] we [redacted] it, [redacted] regime. It's [redacted] [redacted] said the [redacted] will-[redacted] nation [redacted] the country. He said [redacted] *people* [redacted] Turkey [redacted] reach contemporary civilisa-[redacted] If [redacted] Kemalism, I'm a [redacted]

What [redacted] his principles of [redacted] and [redacted]

■ [redacted] 1923 [redacted] Turkish state had about 10m people and its [redacted] were devastated by [redacted] There weren't enough private [redacted] and they didn't [redacted] enough capital [redacted] knowhow, so the state had [redacted] step in.

When [redacted] come [redacted] the [redacted] thing changes: having the state in [redacted] not [redacted] But secularism is very important. It's actually [redacted] protection of [redacted] right [redacted] religion: [redacted] can [redacted] want.

What [redacted] your [redacted] recent [redacted] by the [*Islamic*] [redacted]

■ It's very local. They can get up to [redacted] per cent, not more than that.

[redacted] Turkey still on [redacted] for [redacted] union with [redacted] EC in [redacted] Will you [redacted] housing fund by then?

■ *It* [redacted] *negotiated.* You know, Turkey [redacted] only country that is going to be in [redacted] union [redacted] being [redacted] member [redacted] the [redacted] Definitely Turkey should negotiate [redacted]

When do [redacted] expect [redacted] start [redacted] negotiations?

■ Very [redacted] ready.

Is full membership still [redacted] realistic objective?

■ In [redacted] years, maybe. Turkey may [redacted] a full member with [redacted] exceptional conditions. It depends on [redacted] Community, but I think within the next 10 years Turkey [redacted] be [redacted] full [redacted]

You know, membership for Turkey [redacted] catching up [redacted] *Europe. If* [redacted] *we can* catch that level, [redacted] us I think the [redacted] is reached.

How [redacted] for Turkey is the situation in the [redacted]

■ We are being pushed, and [redacted] are under [redacted] from pro-Azerbaijani public opinion. People say [redacted] should intervene. Actually we [redacted] intervene, but that [redacted] be the end [redacted] the problem. Maybe [redacted] problem will start when [redacted]

We intervened [redacted] Cyprus, [redacted] still [redacted] problem there. [redacted] thing. In Bosnia you [redacted] international community, but in [redacted] only Turkey is [redacted] If [redacted] international community [redacted] to [redacted] problem, then Turkey will [redacted] partner.

As in Bosnia, if [redacted] international community [redacted] intervene, [redacted] will supply forces, but [redacted] cannot intervene by [redacted] do, [redacted] should [redacted] it with the [redacted]

That [redacted] have [redacted]

■ Yes. We should do it with the [redacted] including [redacted] sians, [redacted] in the [redacted] of Kuwait. [redacted] should [redacted] convinced [redacted] needs to be done. In the [redacted] of [redacted] Caucasus, too, Rus-[redacted] shouldn't be [redacted] out. On [redacted] hope they will [redacted] results. [redacted] will be put [redacted]

Up [redacted] now [redacted] *Now* [redacted] going to control the no-fly [redacted] planes left [redacted] Italy today.

Is a deterrent needed on the ground as [redacted]

■ It's up to the [redacted] evaluate that. But now Nato has been put into force, let [redacted] how things will develop.

And what is your policy towards [redacted] to lead [redacted] a revival of Pan-Turkism?

■ People in Central Asia and in Anatolia speak [redacted] same language. They share [redacted] same history, the [redacted] traditions ... They are our cousins, but we [redacted] lived in the [redacted] state. Therefore Pan-Turkism [redacted] just [redacted] Utopia. All [redacted] they stay as independent [redacted] They should be running [redacted] we do not [redacted] desire to run [redacted] countries.

What about [redacted] Turkic [redacted] wealth, an economic commonwealth?

■ [redacted] time being. Actually [redacted] have [redacted] agreement [redacted] Iran, Turkey, [redacted] tan and [redacted] Central [redacted] states, called ECO. If [redacted] *develop* [redacted] *regional* [redacted] relations, why [redacted] All we want [redacted] countries [redacted] up [redacted] world. They used to know [redacted] as only [redacted] they [redacted] seen that [redacted] a world beyond Moscow.

[redacted] have given them a lot [redacted] *help:* [redacted] *have 10,000* [redacted] Turkish schools; [redacted] have provided TV and telephones; [redacted] have [redacted] agreements signed. [redacted] than [redacted] Turkish companies are working in those coun-[redacted] Relations will [redacted] bilateral, based on economic interest.

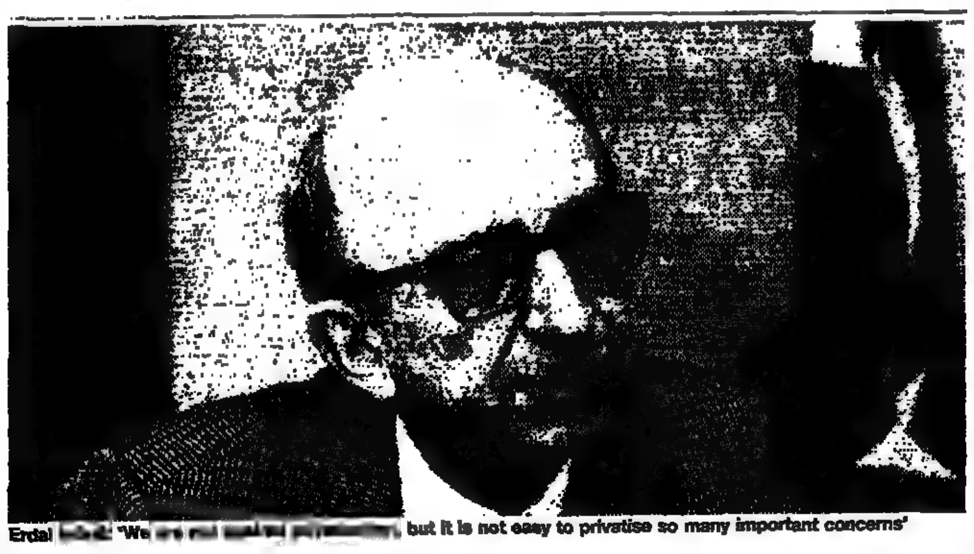
Is [redacted] pulling Turkey in [redacted] direction, away [redacted] the EC?

■ Our desire to [redacted] a member of the [redacted] is not for economic factors only. We [redacted] Europeans. We would like to stay [redacted] Europeans. We would like to live with Europe. We would like to act with Europe. We share the values [redacted] European civilisation in addition [redacted] our own values. As a member of Nato, we have defended those values. Europe is not a geography: Europe is a set of values. If Europe says, "we don't want you [redacted] defend our values", that is something else. But if I [redacted] Europe I should say, "Let [redacted] have more people defending our values". We can take those values to Central Asia. That is the extension of Europe, not as geography but as culture, as civilisation. In [redacted] [*capital of Kyrgyzstan*], for instance, [redacted] per cent of the population are Russians and Germans. They [redacted] Europeans. It's [redacted] beautiful city: it's not [redacted] Asian city, [redacted] European city. They're all intermingled.

Are you implying that those countries, too, might be members of the EC?

■ [redacted] for the time being. But as Turks, [redacted] take Euro-[redacted] values to those countries.

Süleyman Demirel: 'The problems are still there' Picture: Trevor Humphries



Erdal [redacted] 'We [redacted] but it is not easy to privatise so many important concerns'

The views of the deputy

Support for coalition

[redacted] Inönü, a distinguished physicist and son of Turkey's [redacted] president, is deputy prime [redacted] and leader [redacted] Social Democratic People's Party (SHP). He gave [redacted] views to [redacted] FT:

■ [redacted] the government: For [redacted] is important [redacted] the [redacted] continues, independently of [redacted] role [redacted] president. It [redacted] a good majority behind it in parliament. If [redacted] prime minister [redacted] president it will be a big change, but the parties [redacted] in [redacted] country [redacted] depend on personalities.

■ On the economy and privatisation: "Etatism" is now understood by [redacted] party [redacted] defining the social [redacted] 1930s when the state was the primary means of industrialisation and accumulation of capital. We are not against privatisation, but it is not easy to privatise so many important concerns. What is important is not [redacted] ownership [redacted] *the efficient* [redacted] *of* [redacted] production, and a good distribution.

■ On the Kurds: [redacted] encouraged by [redacted] terrorist groups say they will not [redacted] in terrorism [redacted] of a separatist Kurdish party, [redacted] we [redacted] it [redacted] gain [redacted] But it [redacted] require a change [redacted] tution, [redacted] the present government has not yet [redacted] it will support [redacted] a change. Turkish is [redacted] and must [redacted] by the organs [redacted] we [redacted] signed the [redacted] Charter, and are fully [redacted] giving cultural rights [redacted] all [redacted] Parliament is in the process of legal-[redacted] private radio [redacted] stations. Once that [redacted] done, [redacted] can't stop [redacted] using Kurdish.

■ On human rights: Terrorist activity [redacted] for a [redacted] after we [redacted] power. The security [redacted] increased their activity, making [redacted] look as if there were more violations [redacted] human rights. [redacted] on judicial practices has brought American standards to [redacted] on our criminal procedures, [redacted] is [redacted] used in [redacted] great part [redacted] country, except [redacted] terrorist cases. With the disappearance of terrorism [redacted] won't [redacted] any [redacted] plaints [redacted] Amnesty International.

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John Murray Brown examines the economy

OECD report is gloomy

It is hard to argue the case for fiscal and monetary discipline *when the economy* is growing at close to 6 per cent, and foreign exchange reserves are at the highest levels ever recorded during the republic's 70-year history.

No one is predicting a crisis just yet. But the Paris-based Organisation [illegible] Economic Co-operation and Development (OECD), in an unusually gloomy report on Turkey's economy, warns that "no slip[illegible] should be tolerated" in restoring control [illegible] public finances.

The external side [illegible] robust, at [illegible] for the moment. But, as ever, [illegible] resilience of the Turkish private sector is undermined by the miserable [illegible] of public finances.

Turkey has little problem servicing [illegible] $54.7bn foreign debt. Exports continue [illegible], having [illegible] $14.7bn in [illegible] while foreign reserves at [illegible] $17bn in April will [illegible] eight months [illegible] imports. [illegible] with tourism [illegible] to [illegible] $4bn, and continuing [illegible] from its overseas workers, Turkey should [illegible] little trouble financing its balance of payments.

However, the OECD [illegible] the picture [illegible] benign [illegible] it appears". Turkey's economy, in [illegible] in [illegible]. But given such a strong recovery, the government made only limited progress in reducing the public sector borrowing requirement. The PSBR was cut from 14.4 per cent, to around 13 per cent of GNP, in 1992. This is using a figure for the cash deficit on the budget of TL56,000bn, not the TL43,000bn as claimed by the government – the amount appropriated by parliament rather than that actually spent during the year. Again, in the words of the OECD, "it is difficult [illegible] call this an achievement".

More worrying is that some of the key external indicators are showing signs of weathering. The debt service ratio – which measures interest and principal repayments as a proportion of Turkey's exports of goods and services – is close to 30 per cent.

Turkey's debt stock increased by an estimated $4bn in 1992. Much of the increase was from the bond markets. In the wake of receiving a BBB rating from the Standard & Poor's credit agency, Turkey has gone to Japanese and US bond markets for the first time. However, even here there are questions whether this is the best way to fund development.

With an increasing volume of Turkey's debt carrying variable [illegible] rates, [illegible] sury is looking for ways [illegible] against [illegible] currency [illegible]. It [illegible] mated that cross [illegible] added [illegible] to [illegible] Turkey's [illegible] in [illegible].

The [illegible] of growth [illegible] even more pronounced. According to economists, domestic debt stock has increased [illegible] an annual average rate of 17.8 per cent over the period 1987-92. Over the same period, Turkey's gross national product has improved by only 4 per cent a year.

As ever, it [illegible] not the absolute size of the public deficit which is at stake. In many respects, Turkey needs to spend more on health and education, to bring it in line with its European competitors. There is still no social safety net, which will be needed if the government is [illegible] address the need to close some of the 235 [illegible] enterprises which continue [illegible] be a burden on the public [illegible].

While the treasury remains wary of resorting to increased foreign borrowing, it has come to depend increasingly on the domestic capital markets to finance its deficit, crowding out the private sector's need for investment funds and driving up interest rates. What the treasury [illegible] finance through [illegible] capital [illegible] made up by short-term advances from the [illegible] bank, in effect printing money and fuelling inflation.

The result is a vicious circle. Inflation fuels higher public-sector [illegible] settlements, increases the government's debt servicing, and undermines the [illegible] consolidation.

The impact [illegible] the private sector is equally dramatic. Inflation chokes [illegible] private investment, pushes up wage [illegible] and acts as a drag [illegible] the equity markets, where new issues have all but dried up. The government's appetite for funds [illegible] deprived the Istanbul stock exchange [illegible] badly [illegible] liquidity, which analysts believe is one of the major constraints on the [illegible] ket's growth.

Clearly, new investment is vital if Turkey is to be able [illegible] upgrade its industrial base and retain domestic market share against the competition from imports. The issue will become all the more acute as Turkey lowers its tariffs further in the countdown to customs union with the European Community in 1995.

Inflation fuels higher public-sector wage settlements, increases the government's debt servicing, and undermines the efforts [illegible] *tax consolidation*

The issue is equally pressing on the export side, where Turkey is over-dependent on a textile industry which is badly in need of some retooling. According to EC officials in Ankara, Turkey relies on the EC for 75 per cent of its textile exports. Textiles remain Turkey's single largest export item, making up 54 per cent of total export [illegible].

Inflation fuels [illegible] demands, [illegible] now the largest cost to Turkish industry. Unionised labour has restored the ground lost during the mid-1980s, when a coincidence [illegible] low wages and [illegible] depreciating currency helped [illegible] launch Turkey's export drive. The share of wages and salaries in GNP grew from 7.5 per cent in 1987 to 13 per cent last year, according to economist Ali Tigrel, of Marmara bank. As a result, many businesses are now relying on contract labour.

Despite [illegible] improvement in 1992, the OECD says underlying inflation is still on the rise. The problem [illegible] pounded by policy drift and a serious breakdown in co-ordination between the economic ministries and the central bank and key arms of the burea[illegible].

[illegible] Mrs Tansu Çiller, the chief economic [illegible] minister, and central bank [illegible] Rüşdü Saracoğlu have reached a [illegible] low. At one point Mr Saracoğlu seemed close to resigning, when he hurriedly returned from a skiing holiday in France to stop Mrs Çiller from introducing changes in bank reserve requirements, the amount of a bank's deposits which must be lodged with the central bank.

To the outsider, the issue may seem a little abstruse. But given the lack of other monetary instruments, control over bank credit is about the only tool left for the governor.

After missing the targets by such a wide margin last year, *the central bank* decided against issuing monetary projections for 1993. Instead, the Bank is concentrating its efforts on interest rates to dampen exchange rate volatility, the final defence against rampant domestic inflation. To do this, the Bank has had to resort to increased interventions to uphold the lira's value in the market, one reason for the high official reserve policy.

Mrs Çiller still believes the lira is too high. "We are not going to make any huge devaluation, no one should expect that. But we need to keep up with inflation... If you try to withdraw money from the market because you feel there's a pressure on foreign exchange, that puts an artificial pressure on interests rates," she says, in an oblique criticism of the governor's exchange-rate policy.

In the long run, without some form of external anchor, it is difficult to see how the government can hope to curb inflation, now running [illegible] around [illegible] per cent. The short-term answer has been to resort to measures like the tax amnesty and the consolidation of the debts of the public-sector enterprises. Some progress has also been made with privatisation, with asset sales realising [illegible] $570m in [illegible] compared with $1.3bn in [illegible] period [illegible] under [illegible] old Motherland party government. Mrs Çiller talks about selling off the PTT, the state telephone monopoly. Closing down loss-making concerns would have an immediate impact. But as prime minister Süleyman Demirel concedes, "our public is not ready for that yet".

KEY FACTS

Area	779,452 sq km
Population	57.7m
Head of State	To be chosen
Currency	Turkish lira (TL)
Average Exchange Rate	1991 $1=TL4,172
	1992 $1=TL6,900

THE ECONOMY	1991	1992
Total GNP ($bn)	113.5	120.6
Real GNP growth (%) [1]	0.5	5.9
Components of GDP (%) [2]		
Private consumption	62.4	61.7
Total investment	22.5	22.6
Government consumption	13.9	15.9
Exports	24.0	26.0
Imports	-26.4	26.4
Inflation rate (%) [3]	66.0	70.1
IFC share price index (%) [4]	81.0	-53.5
At year end		
Reserves minus gold ($bn) [5]	4.9	6.1
Foreign currency deposit rate ($ %)	8.7	7.6
Treasury bill (1-year) rate (%) [6]	73.0	77.0
Trade [7]		
Current account balance ($bn)	0.27	-0.94
Exports ($bn)	13.60	14.70
Imports ($bn)	21.03	22.90
Trade Balance ($bn)	-7.43	-8.20
Main trading partners 1991 (%) [8]	Exports	Imports
US	6.7	10.6
Germany	25.1	15.3
Italy	7.1	8.7
France	5.1	5.8
UK	4.9	5.5
EC	51.8	43.0

(1) Real GNP growth.
(2) 1990 and 1991
(3) Inflation: 12-month average CPI
[illegible] Annual percentage increase in $ terms at year end.
[illegible] Reserves. Year end 1991, 1992.
(6) Interest rates. Year end 1991, 1992.
(7) Year end 1991,1992.
(8) Percentage share of trade in 1991.

Source: State Institute of Statistics, Monthly Indicators

Turkey has the engineers and the contracting companies. But does it have the funds?

Construction 'megaprojects' under way

Mr Süleyman Demirel, the prime minister, used to refer to the constraining effects of Turkey's infrastructure as "a giant in pygmy's clothing."

Now his rhetoric is of $135bn of "mega projects", which will change the country.

Promoted abroad and at home among finance sources and contractors, [illegible] include:

■ The Southeastern Anatolian Projects (GAP). Launched in [illegible] mid-1980s, this [illegible] project is harnessing the Tigris and Euphrates to irrigate 1.7m hectares of land – half the size [illegible] Belgium – and build 18 hydro-electric [illegible].

The heart of the project is the [illegible] Atatürk Dam which, when completed, will be the world's ninth largest dam.

Syria and Iraq object to Turkey's use of the rivers. Their objections means international funding has been held back. The project is due to be finished in 2005, at a total cost of [illegible].

■ Rail. [illegible] $4bn high-speed [illegible] connection between Ankara and the Asian side of the Istanbul, with a $4bn rail tunnel under the Bosporus, connecting the European and Middle Eastern rail nets.

[illegible] government [illegible] said that agree[illegible] contractors should be reached by October 27 this year. These are part of what Turkey calls a Peace Train from Paris to Jerusalem via Turkey.

Raising their sights higher, Turkey talks of [illegible] Silk Railway following the old Silk [illegible] from London [illegible] China, passing through Turkey and the Turkic Republics.

■ Motorways. This [illegible] Turkey [illegible] bring [illegible] a further 448km [illegible] motorway, extending [illegible] grid [illegible] 1,250km and virtually completing the link from the trans-European motorway to Ankara.

It has an additional 347km under construction, and is planning a bridge by Gallipoli across the Dardanelles.

■ Electric Energy. Government plans allow for [illegible] per cent increase in electricity capacity by the year 2000. This is to be [illegible] by completing 13 generating [illegible] currently under construction and starting 14 others, including [illegible] 1,000MW nuclear plant. However, the World Bank [illegible] worried about the high debt of the Turkish Electricity Authority (TEK).

The Bank argues that Turkey runs more generating capacity than it needs.

■ [illegible] and Sewerage. Projects [illegible] $2.7bn in Istanbul alone, including [illegible] world's largest biological [illegible] treatment plant [illegible] the 150-mile diversion of [illegible] river. Also, [illegible] Aegean-Mediterranean coastal infrastructure [illegible].

Other projects [illegible] this "mega [illegible]" [illegible] on nine airports; a $750m [illegible] trade [illegible] for Istanbul; [illegible] including a deep-water port [illegible] Yumurtalik near Adana, and a container port to serve Istanbul [illegible] Tekirdag, [illegible] the Marmara; underground and light rail systems [illegible] Istanbul, Ankara and Izmir; hydro-cracking units [illegible] the main refineries; and an Olympic [illegible] for Istanbul.

Turkey [illegible] has the engineers [illegible] contracting companies capable [illegible] handling many of these. But does [illegible] have the funds?

This year, the government will find and [illegible], according to Dr Ilhan Kesici, under-secretary of the State Planning Organisation. [illegible] that [illegible] of [illegible] government funding, foreign finance, and [illegible] will [illegible] Turkey through. However, Turkey has been notoriously [illegible] in completing negotiations on the Build Operate-[illegible] schemes [illegible] which it is partly pinning its hopes.

The World Bank is among those who take [illegible] more cautious view, being prepared [illegible] many of [illegible] projects but arguing for a slower phasing.

Indeed, as so often, the [illegible] of funds [illegible], for all [illegible] "mega" hopes, Turkey may have to live with some of its old clothing longer than [illegible] wants to.

David Tonge

Foreign policy: the strategic surroundings have changed beyond recognition, says **Edward Mortimer**

At the centre of an unstable region

During the four decades [redacted] the cold war, Turkey experienced economic transformation and many internal upheavals, but its only [redacted] foreign policy problems resulted from the [redacted] in Cyprus and [redacted] consequently [redacted] difficult relationship [redacted] Greece.

Otherwise it [redacted] rock-solid [redacted] ally, maintaining [redacted] but polite relations with its Soviet neighbour to the north and holding aloof from the quarrels [redacted] Arab and Persian neighbours to the [redacted] 1990, however, Turkey's strategic surroundings have changed beyond [redacted]nition. The Cyprus issue, though still unresolved, has become [redacted] of Turkey's immediate worries as [redacted] country finds itself, in [redacted] foreign minister, Mr Hikmet Çetin, "at [redacted] centre [redacted] a region [redacted] instability and conflict". In three neighbouring [redacted] – Iraq to the south-east, [redacted] Caucasus to the north-east, and the Balkans [redacted] the north-west – conflicts have erupted from [redacted] Turkey [redacted] it impossible [redacted] stay aloof.

In the Gulf war of 1991 Turkey was an essential western ally. Without Turkish help, sanctions against Iraq would [redacted] been meaningless and the bombing cam[redacted] *difficult. Then, in [redacted] immediate* aftermath of the war, Turkey was at the centre of a major crisis as hundreds of thousands of Kurdish refugees poured across its border. It was from Turkish territory that western forces entered northern Iraq in April 1991, to set up the "safe haven" for the Kurds; [redacted] it is [redacted] from Turkish territory that that haven [redacted] pro[redacted] by [redacted] surveillance.

Thus [redacted] strategy for containing President [redacted] Hussein's regime [redacted] heavily dependent [redacted] Turkish co-operation, under an agreement which has to be renewed every six months. Less explicitly, [redacted] also [redacted] on [redacted] help in containing Iran, a [redacted]olutionary ideology [redacted] politico-military ambitions are viewed [redacted] deep suspicion, especially [redacted] Washington.

In both cases Turkey's ruling élite finds good self-interested reasons for co-operating with the west: *it neither wants Turkey's* secular democracy undermine[redacted] by subversion from Islamic Iran, nor its problems in the impoverished [redacted] mainly Kurdish [redacted] exacerbated by a new Baathist onslaught on the Kurds across the border in Iraq. But the government has to be careful how it handles a Turkish public opinion which is strongly nationalistic, and dislikes seeing its country used as a springboard for western intimidation of neighbouring Moslem countries.

Meanwhile, [redacted] break-up of [redacted] Union has "liberated" eight new independent states along the Asiatic fringe of Russia, three of which are Turkey's immediate [redacted] the [redacted] of [redacted] have [redacted] languages closely [redacted] to Turkish. Initially [redacted]

> **Turkish public opinion is strongly on the side of the Azeris, seeing *them as fellow-Turks and victims* of aggression. There has even been loose talk of military intervention against Armenia**

greeted with excitement, not to say euphoria, in Turkey, which saw itself cast as [redacted] guardian [redacted] "Turkic" universe.

[redacted] largely given [redacted] more sober appraisal, which stresses the responsibilities and pitfalls of guardianship as much as its joys and rewards. In the Caucasus especially, Turkish policy-makers fear being dragged into the bitter war over Nagorno-Karabakh, the mainly *Armenian-populated enclave* which has declared its independence from Azerbaijan, and has been fighting with some success to secure a land corridor linking it to Armenia proper.

Turkish public opinion is strongly on the side of the Azeris, seeing them as fellow-Turks and victims of aggression. There has even been loose talk of military intervention against Armenia, whose denials of direct involvement in the conflict do not convince anyone in Turkey.

But the government is acutely aware of the damage such a course would inflict on Turkey's *image in the west,* especially in the US and France where strong Armenian lobbies have kept alive the memory of the massacres of Armenians under the Ottoman empire, which they describe as genocide.

It also fears [redacted] clash with Russia in what has traditionally been [redacted] Russian sphere of infl[redacted]

So Turkey has done its best to maintain an [redacted] approach, [redacted] to [redacted]come the Armenians' traditional Turcophobia. Early this year it even supplied Armenia with up to 100,000 tons of wheat, *from stocks earmarked for domestic consumption,* as an advance on wheat promised by the EC which was late arriving; and Mr Çetin has been working with his Russian counterpart, Mr Andrei Kozyrev, to revive the flagging peace process sponsored by the Conference on Security and Cooperation in Europe (CSCE).

The Armenian victory at Kelbajar in early April, widening the corridor to between 30 and 40km, put this Turkish

Hikmet Çetin, foreign minister: trying to revive *flagging peace process sponsored by the CSCE*

policy under acute strain. Turkey responded by halting relief to Armenia. But the presidents of both Armenia and Azerbaijan, meeting for the first time at the funeral of President Turgut Ozal in Ankara on April 21, agreed to establish [redacted] bilateral dialogue, with [redacted] "hot line" between their capitals.

The Turks also used the occasion to give the Armenian leader a firm warning. "We made it very clear to him," says Ozdem Sanberk, the top civil servant in the Turkish foreign ministry, "that he should explain to his people that these so-called victories are not good for the future.

Armenia is an enclave among Moslem countries [redacted] in [redacted] them. [redacted] should not rely only on support from lobbies in California... We can live without Armenia. They can live without Turkey, but in trouble."

Unlike Armenia and northern Iraq, Bosnia is not Turkey's immediate neighbour, and the war there does not affect Turkey's national security so directly. But in emotional terms it is easily the most sensitive of the three surrounding crises. As Mr Çetin says, "Turkey is a Balkan country".

All of the Balkans were Ottoman territory until the 19th century – Bosnia and [redacted]na being lost finally in 1908. Turks have feelings of both kinship and responsibility for the [redacted] left [redacted] there, kept alive partly (but by no means solely) by the descendants of those who *left and settled in Turkey: some 4m* "Bosniaks" are today Turkish citizens.

These feelings have been fanned by Moslem religious leaders, and reached a peak in January this year when the bombing of Iraq was contrasted with western passivity towards the Serbs, with many bitter accusations of "double standards". This makes the secular and pro-western Turkish government very nervous, and it has done [redacted] to pre-empt Islamic exploitation [redacted] both [redacted]

Turkey itself [redacted] the [redacted] Organ[redacted] the [redacted]c Conference, *with Mr Çetin talking wildly at one point* of oil embargoes against the west.

Turkey has also repeatedly offered to join in any UN or Nato-organised military intervention. As in other countries, however, the army is understood to be distinctly unenthusiastic about deploying troops on the ground, and unilateral intervention has been firmly ruled out.

As long ago as August 8 last year, Turkey proposed an "action plan" aimed at "convincing the aggressor that the world [redacted] business". It included the following elements:

- Establishment and enforcement of [redacted] no-fly zone;
- Limited military intervention in the form of selective strikes, with Serb heavy [redacted] as the [redacted] targets; and
- Lifting the embargo on arms supplies to the Bosnian government.

Mr Çetin [redacted] sadly that the international community [redacted] now come round [redacted] part of this plan. But, he [redacted] "we [redacted] it [redacted] little, too late". He worries that, "if [redacted] succeed, they will [redacted] encouraged [redacted] do the same in *Kosovo*". [redacted] of the population are ethnic Albanians – [redacted] mainly Moslem. His [redacted] that, if [redacted] happens, the fighting will inevitably spill [redacted] into Mac[redacted] and perhaps involve neighbouring countries, bringing it [redacted] nearer to Turkey's borders.

Differences over the Balkans have [redacted] *new* [redacted] *of friction* between Turkey and Greece, which last month [redacted] Turkish F-16s [redacted] through [redacted] air [redacted] on [redacted] way to help enforce [redacted] Bosnian no-fly zone. And Greek hostility [redacted] complicate Turkey's relations with both [redacted] US, where [redacted] Greek lobby [redacted] a lid on military aid [redacted] Turkey, and the [redacted] where [redacted] vetoes not only Turkey's eventual membership [redacted] more immediate financial aid.

[redacted] in spite [redacted] repeated rebuffs, Turkish [redacted] and [redacted] remain convinced of [redacted] country's European destiny. They are *busily preparing for* [redacted] *union* with [redacted] EC [redacted] the [redacted] 1995), and [redacted] eagerly taken [redacted] member[redacted] Western European Union, now officially enshrined as Europe's "defence component". [redacted] being [redacted] by their new regional role, they [redacted] that [redacted] value [redacted] an ally and partner, and [redacted] Europeans will come round [redacted] view that, with[redacted] Turkey, Europe [redacted] incomplete.

John Murray Brown examines Turkey's role within Central Asia

Euphoria has evaporated

A [redacted] a trip would have [redacted] public [redacted] But when [redacted] late President Turgut Ozal [redacted] on [redacted] gruelling five-country tour [redacted] month, it merited scarcely a comment in the local Turkish press.

Turks, like many outside the country, are starting to make a more sober assessment of the opportunities offered in the newly [redacted] *Turkic-speaking* states [redacted] former [redacted] Asia.

Much of the euphoria has evaporated. At [redacted] took it as welcome vindication that the leaders of Central Asia seemed to aspire to follow their own moves to open up to the west, a process *started* [redacted] Mustafa [redacted] founded the country on the ruins of the Ottoman Empire in the 1920s.

However, as one academic, familiar with the region, put it: "They said much the same thing to Brezhnev and Stalin."

Turkey's strategic role as a moderate secular counterweight to Iranian fundamental[redacted] probably [redacted] played. [redacted] overblown [redacted] Turkey's [redacted] to play [redacted] role as the catalyst

> **Turkey shares common cultural, linguistic and religious ties**

for economic development in the region, given budget problems at home.

"Turkey is not pretending to be a regional power. All we want is to help them make a soft landing in coming into the [redacted] world," [redacted] Mr Ozdem Sanberk, under secretary at the Tukish foreign ministry.

Turkey shares common cultural, linguistic and religious ties. But the physical limits to co-operation are immense. Turkey has *no common border* with any of the five Central Asian states, Kazakhstan, Turkmenistan, Uzbekistan, Kyrgyzstan and Tajikistan. Even with the Caucasian state of Azerbaijan, Turkey is cut off by Christian Armenia.

The Turks have made much of the pipeline accord to take Azerbaijan's crude to the Mediterranean. But this project, like all similar proposals to provide a route to take the region's vast natural resources to western markets, depends on the co-operation of Iran – and if not Iran, then the Armenians, with whom Turkey has an equally troubled relationship.

No one is denying that Turkey will have a role to play. Turkish banks are setting up operations in the region. Ziraat, the state-owned farm credit bank, has established joint ventures in Uzbekistan, Kazakhstan and most recently in Turkmenistan.

"The general strategy is to be the first western bank. The market is not large enough for two international banks," says Can Oner, the director in charge of Central Asian operations.

Significantly, it is the state sector banks which have led the way. Private banks remain more wary. "Ziraat is the first in. It may make sense. If you are a local bank you perceive the risks differently. However, look what is happening in Russia, surely a better prospect. As far as I know only two foreign banks have progressed past the stage of having a representative office," says a London-based trade finance specialist.

Bankers admit it is still almost impossible to quantify the risk in those areas.

[redacted] Turkey [redacted] already much of the legal infrastructure, such as investment *protection* agreements and accords on the prevention of double taxation. Since the area opened up, Turkey has signed more than 100 bilateral accords with these countries.

Latest trade figures suggest, at least as far as cash transactions are concerned, the *opening up of Central Asia has had* little impact on Turkey's balance of payments. For the 11 mon[redacted] 1992, Turkey's [redacted] exports [redacted] the former [redacted] republics [redacted] the [redacted] Union came [redacted] $1063m, little more than the $986m achieved in [redacted] same period in 1991. Moreover [redacted] $909m. Import statistics [redacted] a similar picture.

Trade volume – imports and [redacted] – with [redacted] Turkic [redacted] than $300m. While the figures probably do

> **Some multinationals are looking at links with Turkish groups**

not include barter [redacted] Turkish trade [redacted] with [redacted] region remain very modest.

But some multinationals are looking at links with Turkish groups, to gain an early foothold in these markets. Jacobs Suchard, the [redacted]ery group owned by Philip Morris, has acquired a 50 per cent share in Turkey's largest edible-oil company. The strategy is to use this Turkish operation to market the whole range of Jacobs Suchard products in Turkey and the Central Asian states. Merloni, the Italian white goods concern, best known for its Ariston brand, has acquired a stake in Turkey's [redacted] electronics group, again in a bid to provide a platform for sales to the Caucasus and beyond.

In areas like [redacted]munications, Netas, N[redacted] Telecom of Canada's Turkish subsidiary, is blazing a trail. With the help of a government project to supply digital switches *for public exchanges to all five* Central Asian republics, Tur-

Continued on next page

Heinz Kramer discusses the country's relations with the European Community

A fresh start to an uncertain end

RELATIONS between Turkey and the European Community [redacted] be back to normal after more than a decade of tensions and frustrations.

On November 9 [redacted] year, the Association Council was able to [redacted] on a variety of measures which are intended to bring new life to [redacted] dormant EC-Turkey association agreement.

After more than a [redacted] of inaction, it was decided to resume work on the completion of the [redacted] union which, according [redacted] the agreement, should be established by the end of 1995. Added to this was the creation of a political dialogue [redacted] the EC and Turkey on the highest level – i.e., including head of states [redacted] governments. First meetings [redacted] newly established or revived [redacted] of experts, [redacted] which the [redacted] Co-operation Committee [redacted] most prominently, and [redacted] visit of Turkey's deputy prime minister, Erdal Inönü, [redacted] Brussels and other EC capitals in early 1993 [redacted] new approach.

Turkey is at least showing goodwill in its efforts to normalise relations with the Community

Turkey, in compliance with [redacted] contractual obligations, put into [redacted] of January 1, [redacted] further [redacted] tariffs for imports from the Community at a magnitude of 10 to [redacted] per [redacted] and it abolished various special funds for which, in past years, [redacted] levies on imports had been charged. Such levies contravene the stipulations [redacted] the association agreement.

The continuing economic problems [redacted] to [redacted] Turkish economy by the creation of the [redacted] union are, however, [redacted] by the exemption from the tariff reduc-[redacted] of certain [redacted] like automobiles, pharmaceuticals and chemicals, after heavy pressure put [redacted] the government by represen-[redacted] of these sectors which fear for their international competitiveness.

The extra levies, too, have not really been abolished together with the funds, but instead [redacted] been transferred to the still existing mass-housing fund, the [redacted] of which [redacted] been slightly [redacted]. Hence, the most [redacted] Turkish [redacted] be regarded [redacted] step in [redacted] right direction, but still leave much [redacted] do if the [redacted] is [redacted] be met.

Turkey [redacted] showing goodwill in its efforts to normalise rela-[redacted] with [redacted] EC. The Community, on [redacted] side, still [redacted] reciprocating. Greece, [redacted] of its perennial bilateral conflicts with Turkey over Cyprus [redacted] situation in the Aegean Sea, continues to block [redacted] substantial moves of [redacted] Twelve towards an improvement. For this reason, there [redacted] no prospect of releasing Community aid [redacted] Turkey [redacted] a magnitude of 600m Ecu pledged under the fourth financial protocol initialled in 1981, nor is there any hope [redacted] fully implementing a comprehensive [redacted] technical and economic co-operation measures presented [redacted] the Council of Ministers by the Commission in July [redacted] the so-called Matutes package.

The [redacted] are [redacted] very reluctant to phase [redacted] the non-tariff trade barriers which, [redacted] violation of the association agreement, impede the free import of Turkish textiles and clothing into EC markets, and which have to be abolished if the customs union is to be a reality. Other measures foreseen in the association agreement, such as free movement of workers, not to speak of Turkish accession to the EC (for [redacted] Turkey applied in April 1987), are much further [redacted] from being seriously considered.

By concentrating [redacted] the details of the [redacted] agreement, [redacted] could get the impression that eco-[redacted] issues are [redacted] the heart of EC-Turkey relations. Nothing could be [redacted] misleading. [redacted] association, from its very beginning in the early 1960s, was mainly intended to serve political ends. EC members wanted to bind closer to the west [redacted] country deemed to be an indispens-[redacted] ally in countering the strategic threat from the east.

The Twelve are reluctant to phase out non-tariff trade barriers to the free import of textiles and clothing

The Turkish political [redacted] economic elite, [redacted] their side, saw EC membership as the final objective which would make irreversible Turkey's "westernisation", begun by the founder of the republic, Mustafa Kemal Atatürk. Hence, Turkey's relations with the EC in the framework of the association [redacted] always been influenced more by political [redacted] than by economic developments.

This also applies [redacted] the new momentum [redacted] by the meeting of the [redacted] Council of [redacted] November. Although the former political basis [redacted] the relationship has been eroded by the collapse of the Soviet empire, "the Turkish role in the present European situation is of the greatest importance", in the words approved by the European Council at last June's Lisbon summit. EC members view Turkey as an important stabilising factor, not only in the Middle East but also in the crisis-ridden process of restructuring the Soviet heritage in Central Asia and the Caucasus, as well as in relation to the re-opened European powderkeg in the Balkans. Hence the great interest in high level political dialogue with Ankara.

In Turkey, the international attention attracted [redacted] country's new strategic role [redacted] created a climate of growing self-assertiveness, best [redacted]resented by the remark of late president Turgut Ozal on the occasion of the summit of Turkic republics last October, that the 21st century will be the "Turkish century". But the Ankara government also realises that, in [redacted] to [redacted] European expectations [redacted] aspirations, Turkey [redacted] partners. Ankara, therefore, is [redacted] ready [redacted] downgrade its sensitivity concerning political differences with the Community, and to [redacted] its share in the efforts for a revitalisation of relations, [redacted] seems to be in the [redacted] both sides.

But [redacted] change in the international environment has even more far-reaching [redacted]. Both Turkey and [redacted] EC [redacted] using new mental [redacted]. In Turkey, the public is increasingly aware that there is more to the definition of modern Turkish identity than Anatolia, the nation, and Europe-orientated "westernisation". The emergence of a new "Turkish world", stretching from the Balkans to [redacted] China, has encouraged [redacted] new emphasis [redacted] Islam as well as nationalism, and will contribute to a [redacted] of Turkey's European bonds.

On the other hand, in the European public and [redacted] political élites, awareness may grow [redacted] the [redacted] "community of fate" (*Schicksalsgemeinschaft*) between [redacted] Europe and Turkey in the field [redacted] security policy [redacted] longer [redacted]. The EC and Turkey will in future [redacted] confronted with quite different strategic challenges. All this may lead to [redacted] certain [redacted] between the [redacted] sides, of which the first signs are already visible. It [redacted] certainly not mere chance that Turkey has hardly been mentioned [redacted] the EC's public debate about "deepening [redacted] widening".

[redacted] at normalisation of EC-Turkey relations "in line with [redacted] prospect laid [redacted] in the Association Agreement of 1964" (Lisbon European Council) may [redacted] increasingly entangled in the task of defining the final political goal of the relationship beyond the establishment of a customs union.

The prevailing uncertainty about the future development of the EC, [redacted] Turkey, [redacted] of the wider Europe raises the question whether strictly following the [redacted]ths [redacted] out in a quite different past [redacted] really the best [redacted] forging [redacted] common future. Finding an [redacted] to this question may [redacted] the real [redacted] European-Turkish political [redacted] at the highest level.

Prevailing uncertainty raises questions about the best way of forging a common future

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Both Kurds and Turks hope that the long nightmare of violence may be over, reports Edward Mortimer

Ceasefire demonstrates Ocalan's control

FOR EIGHT-and-a-half [redacted], from August 1984 until March this [redacted], south-eastern Turkey was the scene of a guerrilla war, fought with equal [redacted] by Kurdish [redacted] on [redacted] side and the Turkish army on the [redacted].

[redacted] on March [redacted] his [redacted] Damascus, the leader [redacted] the separatist Kurdistan Workers' Party (PKK), Abdullah [redacted] known as Apo, proclaimed [redacted] 25-day unilateral [redacted] unconditional ceasefire.

As a result, the traditional Kurdish new year celebrations ("Nawrouz") on March [redacted] passed off peacefully, in stark contrast to last year when 105 people were killed, and three towns shelled by government forces in full view of German TV – causing a crisis in Turco-German relations and, indirectly, the resignation of the German defence minister (who [redacted] found [redacted] have supplied weapons [redacted] Turkey without authorisation from the Bundestag).

Apo's decision to call the ceasefire is seen in Ankara as an acknowledgement [redacted] military [redacted], as well as [redacted] response to pressure from his Syrian hosts [redacted] from the Iraqi Kurds who were [redacted]mined not to let him jeopard-[redacted] Turkish support for their "[redacted] haven". Certainly [redacted] army has inflicted [redacted] on his units in south-[redacted] Turkey over the past [redacted] while in northern Iraq fellow Kurds have [redacted] the PKK to move well away from the Turkish border.

But the fact that the ceasefire has held amounts to something of [redacted] political victory for Apo, [redacted] it shows his ability to control guerrilla forces scattered over [redacted] wide and ruggedly mountainous region. The Turkish [redacted] too, has [redacted] discipline: [redacted] government, which had [redacted]' warning [redacted] the ceasefire, gave [redacted] instructions to its forces not to overreac[redacted] any non-violent demonstrations during Nawrouz, and by and large these were obeyed.

Abdullah Ocalan officially demands a federal solution

A PKK commander talks to guerrillas on a captured radio

Last month, when the 25 days were up, Apo prolonged the ceasefire indefinitely. In [redacted], he announced he was abandoning the armed struggle in favour of peaceful politics, and that his aim was no longer a separate state but recognition of Kurdish rights within Turkey. For good measure, he renounced his former Marxist principles as well.

It all seems too good to be true, and may yet prove to be. There was [redacted] similar moment of hope at the end of 1991, when the present government came to power. Then, too, Apo had spoken of [redacted] federal solution, and hinted at a ceasefire; and the [redacted] minister, Mr Süleyman Demirel, toured the south-east proclaiming his determination to treat its people democratically and his recognition of the Kurdish identity. But at that time neither's [redacted] were [redacted] in the actions of his troops, and the [redacted] soon resumed more [redacted]ly than ever.

This time, both Kurds [redacted] Turks are hoping desperately that the long nightmare of violence may really be at an end, but no one is betting on it. Turks find it difficult to believe Mr Ocalan can have changed his spots completely, and Kurds wonder if the government has the courage and imagination to seize the opportunity he has offered.

Many see the death of President Turgut Ozal on April 17 as tragically untimely. He had done more than anyone to open up the debate on Kurdish identity within the Turkish establishment, exploiting both his own partly Kurdish origins (he claimed to remember speaking the language with his grandmother) and the crisis over the Iraqi Kurds which followed the Gulf war. He struck up [redacted] personal leadership with the Iraqi [redacted] leaders, particularly Jalal Talabani [redacted] the Patriotic Union of Kurdistan (PUK), who has [redacted] a key role in persuading Apo [redacted] to a non-violent strategy.

Although [redacted] no longer control[redacted] the executive, since his Motherland party lost power in the 1991 general election, he did chair the National [redacted] and contin-[redacted] close interest in the Kurdish [redacted]. Many observers doubt whether, in his absence, [redacted] government will [redacted] able [redacted] take the decisions needed to defuse Kurdish grievances, or be [redacted] enough to impose them on the armed forces.

But Ismet Imset, a Turkish journalist who [redacted] become the country's leading [redacted] on [redacted] believes [redacted] had already made his vital contribution by bringing the Kurdish issue into the open and changing the way people think about it – including senior figures in all the main political parties.

Imset says that people who called him a traitor two years ago, when he published his first interview with Apo, now ring him up to ask his advice. Indeed, he is known to have briefed the cabinet informally after his most recent trips to interview the PKK leader in Syria and Lebanon.

In any case, it is Süleyman Demirel who will now have to take the crucial decisions, whether as prime minister or as a president who will still have great influence over the main governing party. Interviewed by the Financial Times last month, he claimed not to "hear" Apo's pronouncements, arguing that to do so would amount [redacted] opening [redacted] dialogue. At the same time he could only [redacted] the ceasefire [redacted] a fact, and hinted at a possible amnesty for Kurdish fighters who came down from the mountains "to seek justice under Turkish regular law".

It seems likely, if the situation remains calm, that the state of emergency in the [redacted], under which the army's more repressive actions are carried out, [redacted] soon be lifted. [redacted] big public investment [redacted] for the south-east, whose [redacted] backwardness is widely seen [redacted] the root cause [redacted] the trouble, [redacted] already been announced.

But Demirel [redacted] much more reluctant to commit himself, as some of his advisers are urging, to allowing the Kurdish language to be used in schools, or on private [redacted] and [redacted] – [redacted] of [redacted] widely voiced Kurdish demands. (For [redacted] two [redacted] it [redacted] been allowed in [redacted] and in public speech; [redacted] in March [redacted]rior minister, Ismet Sezgin, announced a further significant concession: the restoration of Kurdish names to thousands of renamed towns and villages. Parents will also be free henceforth to give their children Kurdish names.)

Ocalan's official demand is now for a federal solution – something President Ozal also spoke about once or twice in rather vague terms. Many Kurds would regard that as the ideal, but most know it is very unlikely to happen at all soon. Many - some say a majority – would not benefit directly from it in any case, since they no longer live in the south-east but in the big cities of western Turkey.

For [redacted] proclaiming their Kurdish identity seems quite compatible with a strong Turkish patriotism

Perhaps the most striking fact about the situation today, compared with a few years ago, [redacted] the total freedom [redacted] which the issue is now dis-[redacted], and the [redacted] with which Turkish Kurds now proclaim their Kurdish identity. For many of them this seems quite compatible with a [redacted] Turkish patriotism. But even those who most firmly condemn the PKK's [redacted] and reject its separatism also warn that [redacted] genuine popular support, and that from now on the Turkish [redacted] cannot afford to ignore Kurdish [redacted].

New letters for the alphabet

[redacted] previous page

[redacted] private telephone manufacturers are quietly stealing a march on some of the larger foreign names. On the back of this, Ankara is beaming Turkish television – [redacted] move which will have important strategic consequences for the chances of Turkish groups.

Indeed, the Turks are in the vanguard in a range of infrastructure projects. John Laing, the UK civil engineering group, has a contract in partnership with Turkey's Alarko Holding to build the airport at Ashkabad, the Turkmenistan capital.

Cultural bonds are also being slowly forged. More than 8,000 students are now studying in Turkish universities. There are even cadets from the area in Turkey's military academies.

Following a conference earlier this year, Ankara announced it was to add five new letters to the Turkish alphabet, in a bid to encourage the republics to adopt the Latin script, something they lost in the early 1920s after Stalin, then minister [redacted] minorities, forced them to take up Cyrillic.

Political dividends have been harder to come by. Many Central Asian leaders went away from the Ankara summit last year, disappointed that Turkey was unable to offer more than worthy statements.

What is emerging is that many of these states retain a strong dependence on Russia, economically and politically. Some would suggest there are even some sentimental ties. It seems it will difficult for the Central Asians to sever their links with [redacted]

Reviving Islam challenges Atatürk's legacy of secularism, reports **Edward Mortimer**

A tale of two funerals

UGUR MUMCU (pronounced "Oo-oor Moomjoo") was Turkey's best [illegible] investigative journalist, delving into the murky waters [illegible] terrorism, drug-running, intelligence [illegible] and [illegible] connections between them. [illegible] became known internationally for [illegible] work on [illegible] Bulgarian con[illegible]" behind the attempted assassination [illegible] Pope John Paul II by a [illegible] right-wing Turkish fanatic.

[illegible] in Turkey he [illegible] known [illegible] an outspoken political columnist [illegible] main left-wing [illegible] *Cumhuri*[illegible] ("Republic"), [illegible] upholder of democratic [illegible] personal and political freedom, and an untiring [illegible] corruption, oppression, intimidation and censorship, [illegible] exercised by the [illegible] by militant Islamic agitators.

[illegible] a man [illegible] many friends, and quite [illegible] enemies. But when Mumcu was killed by [illegible] bomb on January [illegible] people [illegible] was the [illegible] victim [illegible] Islamic [illegible]. (Other similar murders [illegible] been linked [illegible] Iran, though [illegible] this [illegible] the police [illegible] make [illegible] arrest, or [illegible] name [illegible] *suspect.) Overnight*, *Mumcu* [illegible] a symbol [illegible] Turkey's [illegible] tradition, [illegible] by the founder [illegible] republic, *Mustafa* [illegible].

At [illegible] funeral in Ankara, "nearly [illegible] for [illegible] hours in the rain", according [illegible] league Ozgen Acar, [illegible] *Cumhuriyet*. "The slogans [illegible] for [illegible] principles of Atatürk. [illegible] then about [illegible] people [illegible] in all the [illegible] of Turkey, even though [illegible] than 200,000 could [illegible] read [illegible] articles."

[illegible] allowing for [illegible]tion, Mumcu's [illegible] clearly mobilised [illegible] broad [illegible] Turkish public opinion which values [illegible] "Kemalist" legacy very highly, and believes it is under threat.

Three [illegible] later, [illegible]dent Turgut Ozal's funeral in Istanbul, the following slogans were shouted: "Islamic Turkey [illegible] be secular." "Stop [illegible] music, obey his will."* "We want a [illegible] leader [illegible] people." "This is Turkey, [illegible] Israel." "Santa Sofia† must [illegible] open [illegible] Moslems." "Turkey [illegible] *Islamic*, *Çankaya* [the presidential palace] must be [illegible]."

This was clearly an [illegible] *demonstration, possibly* planned by the Naqshbandi fraternity to which [illegible] belonged, with other religious *groups and some unorganised* bystanders joining in. It may even have been intended as a direct [illegible] to [illegible] funeral [illegible] which it [illegible].

Turgut Ozal himself [illegible] certainly not [illegible] approved [illegible] all the slogans. Nor is [illegible] quasi-canonisation accepted by all [illegible]. For instance, [illegible] Atatürk [illegible] denigration [illegible] *Ottoman* regime [illegible] brought to an end. [illegible] once remarked that, [illegible] school, he had believed the text books [illegible] *depicted Abdülhamit*, the Sultan deposed by the "Young Turk" [illegible] in [illegible] a bloodthirsty *tyrant*, [illegible] *his* grandfather [illegible] him it was not true. Only later, when he travelled abroad and was *able to read more widely, did* he come to the conclusion that his grandfather had been right.

Prof Nur Bilge Criss, a historian of the period in question, says that, as so often in history, the truth lies somewhere between the two. But for her, as a feminist married to a non-Moslem, Atatürk's secular legacy remains vitally important.

Anyone familiar [illegible] Islamic activists in [illegible] Moslem countries can only be struck by the moderation, and attachment [illegible] democracy, of most of those who pass for 'fundamentalists' in Turkish politics

[illegible] Ozel, [illegible] leading [illegible] for [illegible] *Gazetti*, [illegible] of [illegible] *"Refah", or "welfare"*, party, [illegible] "I [illegible] consid[illegible] Ozal a positive figure. [illegible] had no function in [illegible] a [illegible] means [illegible] Islam in practice, [illegible] can accept our [illegible] identity without it influencing our daily decisions."

[illegible] perspective, [illegible] pro-western policies and [illegible] integration [illegible] Turkey into [illegible] economic system [illegible] contrary [illegible] Islam. But [illegible] Islamic activists [illegible] grateful to Ozal [illegible] making no [illegible] he [illegible] believing and practising Moslem, [illegible] previous presidents had [illegible] that [illegible] public religious [illegible] on *their part* [illegible] *infringe* [illegible] nature of [illegible] state.

Ozal challenged the Kemalist legacy in other ways, too. He gently [illegible] the [illegible] Kemalist version of history,

"It means I am free to have dinner with you, without my husband, and without covering *my head*," *she says*.

To which most Turkish Islamic activists reply that they have no desire to introduce compulsion into matters of personal morality: in their state, it would be up to her, as a Moslem woman, to decide in her own conscience what rules she should obey. Indignantly disclaiming any connection with Mumcu's murder (which they suggest was a "provocation", probably staged by some Turkish or foreign intelligence service), they claim that all they want is full freedom of expression and association, plus some reflection in public life of the religion nominally professed by 98 [illegible] cent [illegible] citizens.

[illegible] they [illegible] even [illegible] happy [illegible] genuine western-style secularism, [illegible] mosques and religious [illegible]tion would no [illegible] state-controlled (though perhaps, [illegible] it came to the point, [illegible] would be less willing to give up the large share of taxpay*ers' money now spent on such* institutions).

On this ground some modern-minded Kemalists, such as *Ismail Cem, of the left-wing* Republican People's Party, would be prepared to [illegible] them. "Secularism," he says, "*should* be a *guarantee for* believers as well – for the girl who wants to wear a veil as well as the one who doesn't. *The state should hand over* religion to civil society. It might be too early to discuss this in Turkey, but we should start to tell each other that the final goal of secularism is the 'withering away of the state' from all matters of religion."

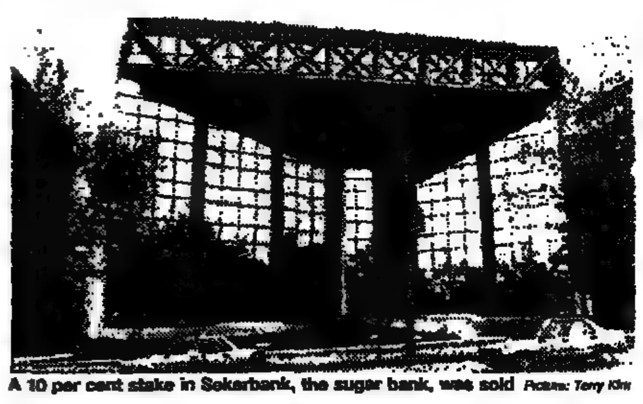
To western ears, that sounds a good idea; and anyone familiar with Islamic activists in other Moslem countries can only be *struck* by the moderation, and attachment to democracy, of most of those who pass for "fundamentalists" in Turkish politics.

If their statements could be taken at face value, one would have to conclude that Atatürk's *revolution* has succeeded, and that the Turkish state could now afford to dismantle what is left of the iron cage in which its *founder* sought to imprison the monster of Islamic obscurantism.

But most Turkish secularists, looking uneasily at the "Islamic" states to the east and south, do not take those statements at face value, and feel the need to keep the [illegible] in its cage a while yet. The [illegible] for the Turkish soul is [illegible] over.

**This referred to a rumour which ran round Turkey in the days after Ozal's death, that he had left a will directing that he be buried "according to my religion", and that Chopin's funeral march should not be played. Had he really done so, it seems most unlikely that his widow would have allowed his wishes to be ignored.*

†The famous mosque in Istanbul, originally a Byzantine cathedral, was made a secular museum on Atatürk's orders in the 1930s.



A 10 per cent stake in Sekerbank, the sugar bank, was sold Picture: Tony Kim

PRIVATISATION

The softly-softly approach has run its course

On one point Mr Ustün Sanver [illegible] adamant. "We will never [illegible] a [illegible]. That I can promise."

Turkey's softly-softly approach [illegible] *privatisation*, however, has almost run [illegible]. The [illegible] ling [illegible] monopolies, will *demand radical* measures [illegible] will require a political commitment, which [illegible] largely [illegible] missing [illegible] of disposals.

No one will begrudge Mr Sanver his achievement. In the *one and a half* years since he took over the Public Participation Administration (PPA), the government agency which *handles the sale of state assets* to the public, Turkey has raised almost as much in revenues as the former Motherland *party achieved in the eight* years of its administration.

Using either block sales of shares, or through sales offerings direct to the public, Turkey is starting to run down its huge inventory of more than 230 equity participations.

When J.P.Morgan, the US bank, first prepared its master plan for the Turkish privatisation programme, back in 1986, the main *objective* was to make the economy "more responsive to market forces, thereby increasing industrial *efficiency and generating* growth in the real economy." The second impulse was to give a kickstart to Turkey's *infant capital markets*.

Today, with a coalition in office, the main motivation seems to be to raise revenues *to close the budget gap*, the financing of which is the main cause of the persistently high inflation.

Unlike in eastern Europe, few Turkish officials discuss the merits of extending share ownership, although, to appease domestic opposition to the programme, there is still an understanding that the larger state concerns will be offered to the public first.

Whenever companies are put up for sale, there are rumblings of discontent among the labour unions, even from the local chambers of commerce, who on several occasions have pooled resources in an effort to buy the state company.

As in other countries, politics is never far from the surface *in Turkey's privatisation* debate. It was, after all, Mr Süleyman Demirel, the prime minister, who, when in opposition, *took legal action* to block the sale of five state cement companies to [illegible] concern, [illegible] Français, on [illegible] grounds [illegible] had not [illegible] offered [illegible] as required under [illegible] privatisation [illegible]. [illegible] to power in [illegible] 1991, [illegible] Demirel [illegible] in [illegible] awkward [illegible] of assuming [illegible] government's legal [illegible] in [illegible] PPA.

Earlier, [illegible] *of* [illegible] in Tupras, [illegible] refineries corporation, Petkim, the government's petrochemical concern, and Petrol Ofisi all [illegible] much interest, when [illegible] offering.

[illegible] experience [illegible] public [illegible] all of which have [illegible] off [illegible] half-cock, fur[illegible] underlines [illegible] problems. The Turkish public [illegible] wish to become [illegible]. In the [illegible] public offering [illegible] the telecommunications equip[illegible] manufacturer now [illegible] 51 per cent [illegible] Northern Telecom of [illegible] were invited [illegible] 20 per cent of the company. In the event, less than half that amount was subscribed.

"We made a mistake by trying to protect the small investors," Mr Sanver now says. Of the 9 per cent which was sold, one fifth [illegible] by the company's employees.

Mr Sanver's only [illegible]tion [illegible] that, after coming [illegible] the market at [illegible] sharp discount *to the issue price, Netaş shares* have since shot up – a vindica[illegible] of [illegible] PPA's contention that this was [illegible] blue-chip offer.

[illegible] *major* [illegible] *of* [illegible] were:

■ The Netaş [illegible]. The PPA sold [illegible] 20 per [illegible] to [illegible] for US$23.5m. After the public offering, the [illegible] with some [illegible] per [illegible] of [illegible] company. Mr [illegible] says [illegible] PPA is consulting a for[illegible] bank [illegible] the possibili[illegible] of [illegible] remaining [illegible] with foreign institutional [illegible].

■ Two Mediterranean-based state-owned power utilities, Cukurova and Kepez, attracted considerable domestic [illegible], with the PPA [illegible] the com[illegible] for more than [illegible] minimum price set [illegible] the authorities. Both utilities were sold [illegible] Rumeli Holding, owned by the Uzan family. Rumeli [illegible] the PPA's 11.25 [illegible] of Cukurova, and [illegible] further $33m for [illegible] per cent share of Kepez. The Uzan concern then proceeded, in somewhat unconventional fashion, [illegible] solicit the proxy voting rights [illegible] the remaining shareholders, eventually winning control of the Cukurova board.

■ Cement companies [illegible] proved attractive, with the PPA selling shares in six companies, raising [illegible]. Two more cement companies – San[illegible] – were [illegible] in block shares in April, agin [illegible] the privately owned Rumeli group, which [illegible] proving [illegible] *have* [illegible] *corporate appetite pre*viously undetected.

Mr [illegible] the remaining seven cement plants, one [illegible] *Thrace and the remainder* in the [illegible] Turkey, all of which [illegible] still owned by the state-run Citosan Holding, *would raise around $200m*.

■ In April, the PPA announced [illegible] Turk Automotive Industry [illegible] *which* [illegible] farm machinery company franchise. The TOE [illegible] for TL70bn ($6m).

■ *Gima, the state-owned food* and general [illegible] chain, was sold for TL201bn to a [illegible] hotel concern.

■ *A 10 per cent stake in Sek*erbank, [illegible] sugar bank, was sold [illegible] sugar [illegible] producers association.

Turkey's privatisation [illegible] is TL25,000bn – more than three times the $570m raised last [illegible]. Mr [illegible] *the target can be* met. Planned [illegible] include 12-15 per [illegible] of Usas, the [illegible] airline [illegible] *(part owned* by SAS, [illegible] danavian concern); the [illegible] remaining [illegible] in Netaş; and 22 per [illegible] of [illegible] local *assembly* [illegible].

But, [illegible] the [illegible] sales, [illegible] PPA's portfolio [illegible] companies will soon be [illegible]. The challenge then is [illegible] the main public corporations, like the PTT, [illegible] telephone monopoly, [illegible] foreign [illegible] are already discussing plans [illegible] separate [illegible] company into its postal and [illegible] units.

The one encouraging sign [illegible] that, having [illegible] on home-grown advice from Turkish banks for much of the workload to [illegible], the PPA [illegible] now in discussions with a number of [illegible], including the UK's [illegible] Grenfell, to help [illegible] the programme for the next generation [illegible] sell-offs.

John Murray Brown

Two Mediterranean-based state-owned power utilities, *Cukurova and Kepez*, [illegible] interest, [illegible] the PPA selling [illegible] companies for [illegible] than [illegible] the minimum price

Towards customs union

Protectionism falls

IT HAS been a rude awakening. This spring, Turkish industry has suddenly realised that customs union with the European Community is no longer a political catch-phrase but an impending commercial reality. How are Turkish corporations handling this?

When the 1993 import regime was being prepared, their traditional strategy – visiting their friends in the under-secretariat of treasury and foreign trade, and pleading their case [illegible] 50-100 per cent customs barriers – proved inadequate.

True, [illegible] few industries, such as household electronics, [illegible] able to gain [illegible] temporary respite. But the average level of protectionism against [illegible] industrial goods fell by over one quarter, from [illegible] per [illegible] to 15.2 per cent, according to initial Community calculations. Industry now accepts that this was not a one-off blow, but part of an irreversible drift [illegible] full customs union. This [illegible] due in [illegible] according to the Turks' interpretation of current treaties, and in 1996, according to Brussels.

The response of Turkey's largest commercial group, Koç c has been to make a zero tariff regime a central assumption of its strategy, Koç 2000. The group has six main divisions: automotive (it produces 55 per cent of Turkey's cars), durable goods, consumer products, construction and mining, energy, and trade and tourism.

Customs union could particularly hit its dominance of Turkey's white and brown goods market, each of which racked up turnover of around $2.5bn in 1992. It accounts for 52 per cent of the refrigerators produced in Turkey and 33 per cent of its television sets.

If any company should have been able to plead its case while this year's tariff regime was being prepared, [illegible] Koç. Overall [illegible] turnover [illegible] $11.3bn in 1992 was equivalent to a healthy 7.5 per cent of Turkey's GDP, and the then under-secretary of the treasury was its former financial co-ordinator.

Indeed, where cars and brown goods were concerned, some respite was gained. But in the [illegible] washing machines, [illegible] degree of protectionism fell from 33.5 per cent to 18.1 per cent. Koç says [illegible] its consumer durable division is working on the assumption that worse is to come.

The group's white-goods company, Arçelik, is Europe's fifth largest producer of refrigerators and earns good margins – 10 per cent before tax on sales, compared with international levels of nearer 2 per cent.

Executives responsible for these activities say that, when Turkey's white goods producers visited Ankara last November, they did not ask for higher tariffs. They see themselves as a sector which can stand on its own feet, and believe that Turkey's negotiators may make concessions to Brussels on white goods in order to gain ground on more fragile industries. What they are against are the costly surprises to which they, and other companies in Turkey, have often been exposed in the past. "We asked for a schedule, not protection," one executive says.

Koç also asked that Turkish officials negotiate on non-tariff barriers. It complains of packaging requirements that are only applied to imported appliances and what it sees as suspiciously protracted national testing processes. If these arguments, which Turkish negotia[illegible] raising in the future, what is Arçelik doing today? Its strategy is fourfold:

- Developing [illegible] leading European companies to ensure their technology stays [illegible] the art. Examples include its agreements with [illegible]
- Strengthening their production base by increasing investment from 5 per cent of turnover to [illegible] per cent.
- Building their presence in the European market. Koç has gained a [illegible] the [illegible] under its European brand [illegible] Beko, and this year will begin to market in France, with Spain to [illegible]
- Seeking an alliance with a major European white goods player. In return for state-of-the-art technology and a chance to use the partner's distribution channels, Koç is offering a share of its 60 per cent hold on the Turkish market, as well as [illegible] low-cost engineering talent and skilled labour.

In short, Koç is both flowing with the tide toward customs union and making sure Turkey's negotiators are well prepared.

Their strategy is [illegible] more recent date than that adopted a decade ago by Eczacibaşi Holding, owner of Turkey's leading pharmaceutical company and of an industrial group with turnover in 1992 of $1.5bn. In the mid-1980s, the group decided that it would concentrate on the businesses it knew, and that it could [illegible] longer rely on protected markets.

As Mr Toker Alban, deputy general manager at the Holding explains: "We saw there were areas where we were strong in Turkey but weak internationally. In these, we believed that without a strong partner we could not survive."

Resulting from this are the various 50:50 joint ventures it has developed with Ja/Mont (itself [illegible] joint venture of James Rivers of the US, Feruzzi of Italy and Nokia of Finland) for tissue paper; with Procter & Gamble for disposable diapers and sanitary napkins; with Marazzi of Italy for ceramic tiles; and with American Standard for perspex [illegible] It [illegible] obtained its drug partners' help in making sure that it incorporated the latest technology in its new pharmaceutical plant, a $100m [illegible] which opened last autumn.

Eczacibaşi has also put its emphasis on marketing, not just in Turkey but abroad. Last year, it set up [illegible] drug wholesaling operation in [illegible] and its first pharmacy in Moscow – 80 years after its first one in Izmir – with plans to franchise its name through the Commonwealth of Independent States.

The Holding now produces 15.5 per cent of Turkey's phar[illegible] (and accounts for half of the country's total drug exports), 80 per cent of serums, 70 per cent of toothpaste, 60 per cent of tissue papers, 80 per cent of sanitary napkins and over 40 per cent of its ceramics.

David Tonge

The auther is general manager of IBS Research and Consul[illegible] company, [illegible] helps international companies build their business [illegible] Turkey [illegible] publishes "Doing in Business in Turkey", a 700-page update reference service.

The structure of the banking sector still looks a little fragile, says **John Murray Brown**

Inflation complicates the figures

ON FIRST impressions, Turkish banks would seem to be making handsome profits. But first impressions can be misleading. [illegible] even here, in one [illegible] the more robust sectors of the economy, inflation and the lamentable state of public finances are starting to make their mark.

It is difficult, without inflation accounting standards, to be confident about the figures. Reported profits certainly [illegible] increased, [illegible] adjusting for the depreciation of the lira. However, as far as [illegible] balance sheets are concerned, many bankers acknowledge [illegible] has been [illegible] steady deterioration in some of the key financial ratios.

High real interest rates mean that many institutions remain extremely liquid, as managers struggle [illegible] place [illegible]rooming level of savings deposits. Moreover, foreign exchange accounted for half of all deposits at the end of 1992 – [illegible] trend which has left many [illegible] exposed to increased currency risk.

[illegible] the [illegible] banking authorities, the phenomenon [illegible] "currency [illegible]tution" [illegible] taking [illegible] the [illegible] Emlak, [illegible] state-owned housing [illegible] linked housing loans. [illegible] while, the consumer boom has been fuelled largely by short-term foreign borrowing by commercial and [illegible] banks.

The regulatory authorities have not favoured the banks. Turkish [illegible] complain that they face legal reserve requirements much higher than the European average – a measure of the central bank's [illegible] liquidity. While [illegible] bank continues to maintain these levels, bank intermediation [illegible] – [illegible] spread between lending and borrowing – will remain high.

The problem of the lack of a developed spot and forward foreign exchange market, meanwhile, [illegible] bedevil overseas investors trying to hedge the lira.

Just to rub salt in the wounds, [illegible] suffered from the loss of key tax concessions in 1992, with a minimum effective corporation tax established at 23 per cent. Hitherto, because of the tax incentives offered to holders of treasury bills and other incentives, few banks incurred the standard 46 per [illegible] corporation [illegible] Indeed, [illegible] banks were able to [illegible] all their liabilities, incurring [illegible] the 10 [illegible] cent withholding tax.

The latest legislation [illegible] aimed [illegible] diverting funds [illegible] exchange. However, for [illegible]

Lack of [illegible] developed spot and forward forex market continues to bedevil overseas investors

tions, like the privately owned Akbank, the tax move was a major blow. In [illegible] its first fall in profits since it went public in 1989, in large part as a result of a hefty 140 per cent increase in its tax charge.

For all the changes of recent years, the structure of Turkish banking still looks a little fragile. The landscape is dominated by the state-owned banks. As for the private sector banks, most are owned by, and largely dependent on, the performance [illegible] parent holding companies. Ak, for example, is controlled by the Sabancı family.

The World Bank has had [illegible] in helping [illegible] restructure the balance [illegible] of [illegible] banks, although the problems at [illegible] Bank, the state-owned agricultural credit bank, has meant the last tranche of a financial sector reform loan was held back – and has now been cancelled altogether.

The issue, as with all of the state sector, is to introduce financial disciplines to meet the market. Ziraat is perhaps an extreme case. The bank, after all, acts more like an arm of the Treasury, collecting road and bridge tolls in rural areas, and making payments to civil servants. The bank calculates it makes around 83m transactions every year.

Ziraat's reported profit [illegible] more than five times that of the next most profitable bank. "Our branch next door makes [illegible]re than a medium size bank," claims Mr Caner Oner, executive vice-president. How[illegible], the vast proportion of its loan book – he estimates around 85 per cent – is to the agricultural sector, where levels of default are notoriously high. Moreover the bank does not make provision against [illegible] state-owned crop co-operatives, where there is [illegible] realistic chance of recovery. The bank is accruing interest, thus inflating its income while deflating costs.

One [illegible] familiar with the bank, [illegible] that if real provisions [illegible] made [illegible] would probably wipe out the [illegible] worth [illegible] the bank.

For all [illegible] problems, Ziraat has [illegible] in the development of personal finance, [illegible] Turks [illegible] quickly [illegible] the advent [illegible] plastic [illegible] cards and automatic teller machines.

To keep up with [illegible] mar-

Most private-sector banks are owned by, and largely dependent on, parent holding companies

[illegible] reforms, set in motion by the former Ozal administration in [illegible] early 1980s, many banks are now investing in the infrastructure of automation.

"The basic reason we invested so much in computerisation was to keep the customers out of the bank," says Mr Oner. Ziraat, with some 10m retail customers, now has 16 different types of card. The bank has the largest ATM network, and is introducing phone banking.

Işbank, Turkey's largest commercial bank, has gone one step further. Customers can now make share transactions through an ATM, even on a Sunday when the Istanbul Stock Exchange is not trading.

Consumer lending, too, is a growing activity. However, recent bank performance has been driven by Treasury bill activity, which [illegible] an attractive risk-free high yield investment. The banks, in effect, are feeding on the inability of the government [illegible] contain [illegible] hunger for funds.

"In today's market, if you go to a triple-A customer, they are not ready to pay more than 85 per cent," says Mr Unal Korukcu, Işbank general manager.

The high cost of funding has hit foreign banks, too. One French banker said European institutions that set up retail operations in earlier years [illegible] reassessing their strategies, [illegible] big blue-chip Turkish companies turned to local banks to organise their offshore credit needs.

Given [illegible] the difficulties, [illegible] Turk[illegible] banks [illegible] still [illegible] from reaching the capital adequacy [illegible] set by the Bank of International Settlements. The broader exercise of [illegible]tion of Turkish banking with those of the European Community [illegible] even further to go.

In [illegible] with BIS requirements, many [illegible] have started [illegible] disposals of their equity participations. Işbank, which [illegible] one [illegible] itself [illegible] a leader of industry, has sold [illegible] interests in Unilever, the Anglo Dutch conglomerate, [illegible] of more than 100 equity participations. The bank has also sold cement factories, and [illegible] in Tofas, the Fiat assembly opera[illegible]

For [illegible] that, Mr Unal Korukcu, the Işbank ge[illegible] manager, says the portfolio has actually increased as a result of capital expansions. In addition, in some cases of non-performing loans, the bank has been forced to take new equity positions under debt-for-equity arrangements. Now the highly liquid state of the bank is also impairing [illegible] reach the capital ratios.

"We now have to be [illegible] careful we do not let our deposits rise too high," [illegible] Mr Korukcu.

THE TOP TEN BANKS (TLm)

	Tier One Capital	Capital/assets ratio (%)	Pre-tax profits	Assets
1 TC Ziraat Bankası	5,231,804	5.22	5,588,584	100,132,815
2 Akbank	2,985,187	9.51	1,622,534	31,076,166
3 Türkiye Iş Bankası	2,304,257	4.58	1,092,393	50,314,021
4 Türkiye Garanti Bankası	2,258,652	11.00	1,230,758	20,539,717
5 Yapı ve Kredi*	1,319,320	6.93	513,308	19,030,351
6 Türk Ticaret Bankası	1.152.874	7.89	155,064	14,602,632
7 Türkiye Kalkinma Bankası*	799,286	14.98	96,484	5,336,290
8 Türkiye Ihracat Kredi Bankası*	703,968	8.84	104,352	7,962,792
9 VakifBank*	658,602	4.28	125,870	15,400,455
10 [illegible] Bankası*	554,205	[illegible]	83,690	6,217[illegible]

*End-1991; [illegible]
Exchange [illegible] End-1991 [illegible] End-1992 $1=TL8,564.4

[illegible] The [illegible], May 1993

FINANCIAL TIMES
COMPANIES & MARKETS
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Thursday August 25 1994

IN BRIEF

Cost-cutting Digital sells Olivetti stake

Digital Equipment, the US computer company struggling to cut costs, has [illegible] nearly 100m Olivetti shares, acquired as part of an ambitious 1992 plan to strengthen links with the Italian computer group. Page 14

Hoechst upbeat after 39% [illegible]
Hoechst, the German chemicals group, reported a 39 per cent jump in first-half profits and predicted a sharp increase for the full year in spite of continued heavy restructuring costs. Page 14

Higher advertising revenues lift Fairfax
John Fairfax, the Australian newspaper publisher in which three media magnates – Mr Kerry Packer, Mr Rupert Murdoch and Mr Conrad Black – hold stakes, nearly doubled its profits in the year to the [illegible] June [illegible] A$110.7m (US$81.4m). [illegible] 17

Mercedes-Benz to buy VW engines
Mercedes-Benz, the German maker of luxury and executive cars, is to buy engines from Volkswagen for use in a future passenger vehicle. Page 16

Swedish engineers [illegible]
Two of [illegible] leading engineering groups, Sand[illegible] and Atlas Copco, announced better-than-expected first-half figures on the back of a sharp upturn in volumes. Both companies highlighted better demand from the automotive sector. Page [illegible]

KPN beats expectations with 17%
Koninklijke PTT Nederland, the Dutch telecommunications and postal group which was partly privatised in June, posted a rise of nearly 17 per cent in first-half net profit, exceeding analysts' expectations. Page 14

Esselte ahead despite slow sales
Esselte, the Swedish office products group, reported a 30 per cent rise in pre-tax profits in the first half to SKr180m ($23.7m), up from SKr138m in the same period last year. This was in spite of only a [illegible] increase in sales. Page 14

Marley sharply ahead
Marley, the UK building materials group, announced pre-tax profits of £26m ([illegible]), for the six months to the end of June – its best first-half profits since 1989. Page 19

Oil prices reduce Monument
Low oil prices hit Monument Oil & Gas, the independent UK explorer, which yesterday announced a 36 per cent fall in interim net profits to £3.4m ($5.2m). Page 19

Invesco at £18.7m as margins improve
[illegible], the international fund management [illegible] reported flat interim pre-tax profits with improved European contribution offsetting a decline in North America. Page 21

Mersey Docks leaps 78%
Mersey Docks and Harbour, the UK's second-largest port group, announced a 79 per cent increase in interim pre-tax profits to £15.9m ($24.4m). Page 21

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Bnk Berlin	391	+	16
Deutsche Bk	701.5	+	15.5
Douglas Hld	517	+	11
Karstadt	612	+	13
Porsche	841	+	21
Schering	912.5	+	[illegible]
NEW YORK ($)			
Rises			
Alcoa	[illegible]	+	1⅛
Best Buy	33⅛	+	2
Oracle	40⅝	+	1⅝
Falls			
Amgen	54	–	2
Blockbuster	26⅝	–	1⅝
Mega Stoly	[illegible]	–	[illegible]
PARIS (FFr)			
Rises			
[illegible]	2587	+	47

Elf Sanofi	947	+	17
[illegible]	305	+	[illegible]
Falls			
Canal Plus	911	–	16
Cred Fonc	529	–	21
Intertech	613	–	[illegible]
TOKYO (Yen)			
Rises			
Aska Corp	[illegible]	+	15
Chiyoda F&M	[illegible]	+	18
Komatsu	849	+	[illegible]
Minebea	835	+	[illegible]
Falls			
Dai Tokyo	755	–	21
Yamaha Mtr	849	–	33

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Canadian Pizza	108	+	13
Harrington Kilb	48	+	8
[illegible] & C	[illegible]	+	8
[illegible] Grp	203	+	11
Maybam	181	+	8
Northern Elect	878	+	30
Parity	129	+	12
Smith (WH)	481½	+	12½
[illegible] Elect	780	+	25
Unigate	389	+	12
Virtuality	307	+	8
Yorkshire Elect	744	+	[illegible]

Falls			
Beresford Intl	192½	–	7½
Biddy	[illegible]	–	6
Body Shop	279	–	8
Flex Decor	229	–	22
[illegible]	173	–	8
[illegible]	172½	–	11½
[illegible]	123½	–	14½
[illegible]	40	–	7
Telegraph	385	–	14

Nordbanken gains before privatisation

By Hugh Carnegy in Stockholm

Nordbanken, the biggest casualty of Sweden's [illegible] banking crisis, yesterday reported [illegible] profit [illegible] by a [illegible] bank in the first half of this year, lifted by [illegible] acquisition [illegible] December of [illegible] Bank, [illegible] other chief victim of the loan loss [illegible].

Nordbanken, bailed out by the government [illegible] for privatisation, announced an operating profit in [illegible] of [illegible] ($363m). The profit was higher than the SKr2.3bn achieved by Svenska Handelsbanken, the only bank which survived the cri[illegible] seeking [illegible]. Nordbanken said it expected profits in the second half to be similar, implying a full-year profit of around SKr5bn.

The rising profits were largely attributed to a big fall in loan losses, which [illegible] to [illegible] in the first half, [illegible] of which were [illegible] for by Gota Bank. [illegible] SKr2.78bn in the first half of 1993. (Nordbanken [illegible] comparative consolidated figures including Gota Bank for 1993.)

The result strengthens the case for Nordbanken's privatisation. A decision may be made soon after next month's general election.

Privatisation will help the state recoup some of the huge sums it paid to keep the banking system [illegible]. The lion's [illegible] of the [illegible] – [illegible] – [illegible] to [illegible] in an operation which [illegible] *hiving* [illegible] of their bad loans to separate "bad banks" which will remain under [illegible] management until fully unwound.

The clean-up at Nordbanken and Gota Bank provoked protests from its rivals that Nordbanken [illegible] unfair competitive advantage. It now has [illegible] 25 per cent of the domestic market.

[illegible] said [illegible] performing [illegible] totalled [illegible] – [illegible] at the beginning of the year – and it made provisions for loan [illegible] of [illegible] a [illegible] in interest rates could extend [illegible] period of high loan [illegible].

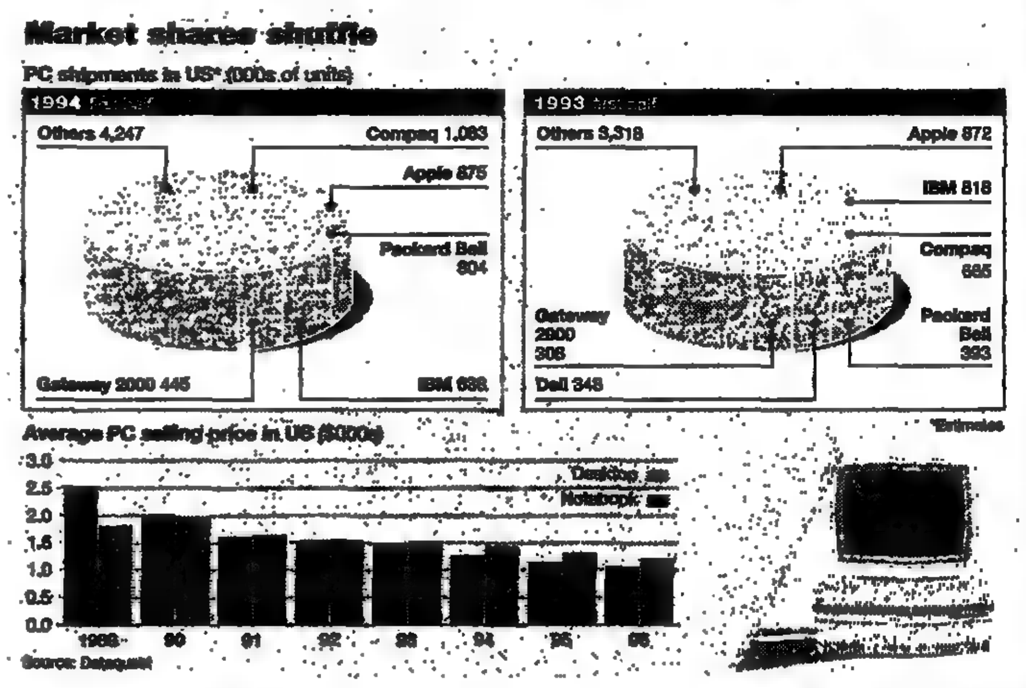
Excluding [illegible] Bank, Nordbanken's operating profit [illegible] up only slightly [illegible] SKr1.97bn, [illegible] pared with SKr1.74bn in the same period last year.

It was [illegible] by falling lending volumes and [illegible] margins which left [illegible] interest income, excluding [illegible] Bank, [illegible] SKr4.38bn, compared [illegible] SKr4.36bn in the first half of 1993. Net [illegible] income including [illegible] bank [illegible].

The response to Compaq's cuts is gathering momentum, reports **Louise Kehoe**

IBM picks up the gauntlet in PC price war

Market shares shuffle



"Compaq [illegible] the US personal computer market, as competitors [illegible] by Compaq Computer that reduced prices of many of its PCs by 11 to 22 per cent.

Yesterday, IBM announced [illegible] cuts of up to 27 per cent, matching Compaq's new prices on most models and undercutting its rival by about [illegible] per cent in [illegible] important "PC server" segment.

The situation is reminiscent of the "Compaq Shock" that hit the Japanese PC market two years ago when Compaq dropped [illegible] prices and bulldozed its way into a market formerly dominated by NEC.

This time Compaq's targets are IBM and Apple Computer – for many years the leading US PC suppliers. Compaq has vowed to overtake them to become the world market leader by 1996.

[illegible] with $2.2bn worth of inventory which it hopes to unleash on the market over the October to year-end quarter, typically the peak PC selling season, Compaq is gunning for battle.

With gross profit margins well above those of its competitors, Compaq can afford to engage in a *price war,* [illegible] *industry analysts.* IBM has been quick to respond to Compaq's price cuts and other leading PC [illegible] expected to follow suit over the next couple of weeks. Hewlett-Packard said yesterday that it will undercut Compaq's new prices in about two weeks, while Digital Equipment has also vowed to remain price competitive. The response of smaller PC companies is less predictable. "My gut feeling is that some competitors will react and some will not. It depends on [illegible] strategy," said Mr [illegible] Carlo Bisone, Compaq's [illegible] vice-president of North [illegible] marketing.

Compaq's attack [illegible] a particularly vulnerable time for its biggest competitors. IBM is in the middle of restructuring its PC business while Apple is making a transition to PowerPC micropro[illegible] technology.

The price war could prove particularly costly to IBM, which is struggling [illegible] regain momentum in the PC market. IBM's second-quarter US shipments dropped 29 per cent, even as shipment vol[illegible] its four biggest rivals rose.

In the second quarter, Compaq had a 14.3 per cent share of the US market, according to Dataquest. Apple Computer had an 11.2 per cent share; Packard Bell Electronics had 9.3 per cent and IBM trailed at 7.9 per cent.

IBM's profit margins in the PC business [illegible] also well below those of Compaq, which claims to be the market's lowest-cost producer. The new price cuts will further reduce profit margins, but the company must respond to Compaq's price challenge if it is not to see its market share dwindle.

Fuelling the battle in the PC industry are sharp price reductions by Intel, the leading supplier [illegible] microprocessor chips. Over the past four months Intel has lowered prices on its 486 and Pentium chips by about 40 per cent. This has given PC makers an opportunity to trim their prices, while maintaining profit margins.

Another factor that is adding momentum to the PC price war is the broad availability [illegible] products. Over the past two years, PC makers have frequently been unable to keep pace with demand for their products because [illegible] component shortages. [illegible] these problems [illegible] solved and [illegible] industry has a glut of products that it is anxious to unleash on the market.

The price cuts are also seen as a precursor to the introduction of [illegible] products [illegible] the [illegible] shifts toward higher performance machines based on Intel's Pentium microprocessors. IBM [illegible] expected to launch several new models in October and will also move to simplify its product line by eliminating the current over[illegible] aimed [illegible] different market segments.

Television advertising will for the first time in several years become a weapon in the looming PC marketing battle, with Compaq planning to double its spending on US television commercials over the next three months and IBM planning to return to TV advertising for the first time in years. Intel is also planning [illegible] most [illegible] TV advertising campaign to date.

"A fundamental shift in the market is taking place," said Mr Dennis Carter, Intel vice-president for marketing. PC sales to home users are exploding, he said. In the fourth quarter of 1993, US sales of PCs to consumers outstripped sales to busi[illegible] *for the first time.*

However, while Intel is aiming its marketing campaign at home PC users, the focus of the PC pricing activities is in the corporate segment of the market, [illegible] typically [illegible] higher performance computers that command higher prices and profit margins.

IBM's price cuts are particularly aggressive on "PC servers". The largest IBM price drop [illegible] on a [illegible] Server Array formerly priced [illegible] which will now [illegible] a list price [illegible]. This [illegible] with Compaq's price, on an equivalent [illegible] $10,000.

The price war could prove particularly costly to IBM, which is struggling to regain momentum in the PC market

Rover sale helps Honda to double pre-tax profits

By Kevin Done in London and Michiyo Nakamoto in Tokyo

BMW, the German carmaker, [illegible] paid Honda [illegible] ($310m) for its 20 per cent stake in Rover *bringing the total* [illegible] *of* [illegible] takeover earlier this year of the leading UK car producer to £1bn.

Details of the financial transactions between BMW and Honda were revealed for the first time yesterday with the publication of the Japanese carmaker's first-quarter results.

It [illegible] that Honda paid BMW £74m [illegible] buy back [illegible] per cent [illegible] that Rover previously owned in Honda of the UK Manufacturing, the Japanese carmaker's British assembly plant in Swindon.

According to the Honda figures, the net cost to BMW of unravelling the cross-shareholdings between Rover and Honda totalled £126m.

Honda's one-off gains from [illegible] Rover transactions led to its pre-tax profits in the first quarter to June more than doubling to [illegible] ($325m) from [illegible]. Net profit almost quadrupled to Y23.1bn from Y6.1bn including a Y12.6bn gain from the sale of the Rover holding.

[illegible] operating profit for the quarter rose 15.8 per cent to Y25.8bn from Y22.3bn. Cost-cutting efforts saved Honda Y19.5bn, but the yen's strength against the dollar reduced operating income by Y26.5bn.

Honda's turnover for the quarter rose 5.8 per cent to Y973.1bn.

The [illegible] results [illegible] supported by a strong performance in the US, where its car sales volume has risen 15.1 per cent in *the first seven* [illegible] *of this* year. Its sales in the US, which account for nearly half of its car business, were firm despite price increases introduced in May in response to the yen's rise against the dollar.

Honda also did well in Europe, [illegible] the value of its first-quarter car sales rose 20 per cent. Its sales volume in the first six months in [illegible] Europe increased 10 per cent, against a 7 per cent [illegible] in [illegible] European market and a [illegible] per [illegible] decline in total Japanese new car sales in Europe. Honda fared less well in its domestic market where it was hit by sagging interest in its ageing models and by its absence from the passenger mini-van market which has been the most lively [illegible] in the Japanese vehicle [illegible].

Barrick poised to win Lac with revised C$2.4bn offer

By Robert Gibbens in Montreal

The management of Lac Minerals was last night poised to accept a revised offer by American [illegible]rick valuing the Canadian gold producer at C$2.4bn ($1.73bn).

Barrick, one [illegible] North America's top [illegible] producers, has beaten rival Royal Oak Mines for the hand of Lac Minerals and will become one of the world's biggest gold producers.

It raised both the cash and *share-exchange terms of its* [illegible]. The new offer is C$5 cash and 0.325 [illegible] of [illegible]ck for each Lac common [illegible]. Alternatively Lac [illegible] shares of Barrick.

About half Lac's 148m shares are held in the [illegible] and many US institutions had [illegible] awaiting [illegible] higher bid from Barrick. [illegible] is a friendly transaction with Lac," said Mr Peter Munk, *chairman* of American Barrick [illegible] and controlling stock[illegible]. "The combination is an *excellent strategic fit.*"

The two companies will have combined annual gold output of 2.8m ounces in North and South America. Their exploration activities will include the western and eastern hemispheres.

Barrick will move ahead of [illegible] Dom, Newmont [illegible] Homestake taking a clear lead among the North American-based producers.

It is seeking 100 per cent of the Lac shares, and said [illegible] management would [illegible] the new offer.

Mr Munk said Lac would bene[illegible] strengths and management expe[illegible] will [illegible] significantly enhanced.

"We are creating one of the largest and most profitable gold producers [illegible] the world with exceptional growth potential."

Barrick's new offer expires on September 6. The document will be mailed to Lac shareholders by this Friday.

Earlier Royal [illegible] Mines, a Vancouver-based medium-sized gold producer extended its bid to September 6, saying it had received a "strong response" by the previous expiry date of midnight, Tuesday.

It refused to disclose the level of acceptances it had achieved.

[illegible] first-half earnings [illegible] a share, up 19 per cent. Gold output rose 34 per cent to 947,535 oz, lifted by the performance of its [illegible] Mine in [illegible] June [illegible] had [illegible] cash and little [illegible].

Telegraph feels battle pains

By Raymond Snoddy in London

[illegible] Conrad Black, chairman [illegible] T[illegible]h, said yesterday that price [illegible] in [illegible] UK's national newspaper industry represented the company's [illegible] challenge since its move from Fleet Street eight years ago.

The group also announced a 12 per cent fall in interim pre-tax profits to £30.3m ($47m), [illegible] £34.6m, although the 1993 figures were helped by the sale of investments.

The price-cutting war launched by [illegible] Rupert [illegible] Times had already started to eat into Telegraph profits. The decision to counterattack, by cutting the week-day price of the [illegible] Telegraph to 30p, cost the group £1m for the six days of the change included in [illegible] months to June 30. A further £1m was spent on a voucher scheme [illegible] the price cut, and £8m on promotion during the period to protect the Daily Telegraph's circulation against the 20p Times.

Mr Black acknowledged yesterday that the "severe effects" of the cover price reduction would be reflected in group results in the shorter term, and promot[illegible] costs to support the titles would continue to be significant.

"We are dedicated to maintaining the quality of our products and the pre-eminence of these products in the newspaper advertising industry," said Mr Black.

Since the [illegible] cut its price, [illegible] increased from 993,000 to 1.07m.

Mr Black added that areas had been identified where costs could be [illegible].

Mr [illegible]hen Grabiner, the Telegraph's managing director, said the irony was that the new readers were largely the young people the Telegraph had tried and failed to [illegible] in the past. The company could not [illegible] to blink" in the price wars.

The drop in UK circulation revenues of around 4 per cent was offset by good results from the John Fairfax newspaper group in Australia, an [illegible] company. The contributions from associates more than doubled from £4.4m to £11.8m. Operating profit at The Telegraph was down by £3.5m at £20.3m.

[illegible] per share were 15.8p. This compared with 13.4p excluding the effects of [illegible] sales and 16.6p including them.

The interim dividend remains unchanged at 5.5p.

Digital sells 7.9% stake in Olivetti

By Andrew Hill in Milan

Digital Equipment, [illegible] US computer [illegible] struggling to cut costs, [illegible] sold nearly 100m Olivetti shares, acquired as part of an ambitious 1992 plan [illegible] strengthen links [illegible] the Italian computer group.

The 7.9 per cent stake [illegible] gradually sold during the slack holiday period. At yesterday's closing Olivetti share price, it would [illegible] worth about L230bn ($147.43m).

Digital said yesterday that the sale did not mark the end of product and technological co-operation between the two companies - the other principal pillar of the [illegible] deal between the groups. The [illegible] stressed that it would continue to be [illegible] important client of Olivetti for components, terminals and PCs, [illegible] a partner in markets where [illegible] is present.

However, industry [illegible] pointed out that the divestment, part of [illegible] extensive programme [illegible] sell-offs by the US company, had weakened the two-year-old accord, originally heralded [illegible] a bold move [illegible] buy access [illegible] Europe's largest personal computer group.

Recession and management problems at Digital have undermined those ambitions. The [illegible] group announced an extensive programme [illegible] restructuring earlier this [illegible], involving the sale [illegible] and the loss of 20,000 jobs.

Olivetti put a [illegible] on the [illegible], pointing out that the sale of a large block of shares had [illegible] "easily absorbed by [illegible] market, and in particular institutional investors", with no marked [illegible] on [illegible] share price.

It [illegible] said that some 75 per cent of its capital was now owned by small shareholders and institutional investors, of which 50 [illegible] are foreign.

Digital announced its plan for closer co-operation with Olivetti in June [illegible], buying some 4 per [illegible] of the Italian company immediately and indicating [illegible] it would increase its holding to as much as 10 [illegible] cent over two years.

The deal was [illegible] based on the two companies swapping products, with Digital originally expecting to sell [illegible] Olivetti PCs [illegible] Europe.

The US group accelerated its investment programme [illegible] lifting its holding [illegible] per cent by May this year, which made Digital the largest Olivetti shareholder after Cir, one [illegible] the holding companies [illegible] Mr Carlo De Benedetti, the Italian company's chairman.

The [illegible] has since been diluted by capital increases and the [illegible] of bonds into shares.

Esselte ahead 30% in spite of slow sales

By Hugh Carnegy in Stockholm

Esselte, the Swedish office products group, yesterday reported a 30 per cent rise in pre-tax profits in the first half to SKr180m ($23.7m), up from SKr138m in the same period last year. This was in spite of only a small increase in sales.

The group said the profits growth was produced by a reduction in costs of SKr65m, which more than offset a SKr23m increase in financial expenses to SKr96m, caused by lower hedging benefits.

Esselte confirmed its forecast that full-year pre-tax profits in 1994 would exceed last year's SKr301m.

Sales in the first half rose 3 per cent [illegible] SKr5.89bn from SKr5.7bn. Although Nordic [illegible] southern European markets showed growth, [illegible] in the US, the [illegible] pany's [illegible] country market, and in Germany.

However, a turnround in the US, where the company's operations have been restructured, was expected in the second half of the year.

The benefits of new products, particularly the new Dymo 1000 electronic labelling tool, [illegible] expected [illegible] through in the latter [illegible] of the year.

Divisional [illegible] showed the strongest performance for [illegible] Dymo, the mainstream office products division, [illegible] Esselte [illegible]

[illegible] at Esselte Dymo increased [illegible] SKr2.2bn from [illegible], while operating profits rose [illegible] SKr139m from SKr118m.

[illegible] Meto, [illegible] price marking equipment and other products [illegible] the [illegible] industry, rose slightly [illegible] SKr1.49bn from SKr1.45bn, [illegible] operating profits jumped [illegible] SKr101m from SKr68m.

[illegible] Pendaflex, [illegible] handles [illegible] office supplies [illegible] the US, Canada and Mexico, North America, pushed up sales [illegible] SKr964m from [illegible] and [illegible] an operating profit [illegible] from a loss [illegible] SKr7m.

Hoechst shows solid rise despite restructuring costs

By Christopher Parkes in Frankfurt

Hoechst, the German chemicals group, yesterday reported a 39 per cent jump in first-half profits and predicted a sharp increase for the full year in spite of continued heavy restructuring costs.

Pre-tax earnings in the second quarter soared almost 70 per cent to DM579m ($376.5m), bringing the total for the first six months to DM1bn.

The group said product prices were still too low although raw material costs were rising.

It noted that restructuring costs in the half were unchanged from last year, while rising sales volume had lifted turnover by 7.3 per cent to DM24.7bn.

The consolidation of the AgrEvo plant protection company, formed in the merger of Schering's operations into those of Hoechst, accounted for 3 per cent of the [illegible] rise, while currency factors contributed a further 1 per cent.

The results, published in an interim report, added further weight to claims that the international economic recovery [illegible] spreading and taking hold in Germany.

While BASF, which last [illegible] reported a 41 per cent earnings rise, [illegible] domestic sales fell 2.3 per cent, Hoechst reported a slight [illegible] in German turnover.

Sales at Hoechst Celanese, the north American subsidiary, rose 7 [illegible] cent [illegible] $3.6bn, helped by a recovery in chemicals prices to last year's levels.

Turnover in Latin America climbed 16 per cent, due in part [illegible] the contracts [illegible] by [illegible] Uhde chemical plant construction subsidiary.

Asian [illegible] increased 25 per cent, and while two-thirds [illegible] gain came from first-time consolidations and currency effects, [illegible] of the balance [illegible] to strong demand for pharmaceuticals.

Meanwhile, German pharmaceutical sales recovered from last year's depression, attributed mainly to government-imposed price cuts and health spending curbs.

The company reported good earnings from Roussel Uclaf in France and SGL Carbon.

German shipbuilder sees surplus

By Michael Lindemann in Bonn

Bremer Vulkan, Germany's biggest shipbuilding group, yesterday [illegible] double-digit profits for the full year, following a DM191m ($119m) loss last time.

The Bremen-based company said orders in the first six months had risen 32 per cent over the same period a year earlier, to DM2.9bn, with enough work to last until mid-[illegible]

Bremer Vulkan said earlier this year [illegible] hoped to restart dividend payments in 1995.

[illegible] reported a [illegible] the first six months, compared with [illegible] profit of DM22m in the same period the year before.

The restructuring measures and redundancies begun in the second half of last year were beginning to take effect, it said.

About [illegible] lost their jobs in the [illegible] months and a further 1,300 are due to go before the end of the year, bringing the group's workforce down to [illegible].

Helped by [illegible] first-time consolidation of [illegible], turnover jumped [illegible] per cent in the first six months to DM3.16bn.

[illegible] the [illegible] of the shipbuilding activities at the east German dock of Stralsund and other companies in [illegible] German port of Rostock, turnover rose 2 per cent.

[illegible] still makes [illegible] per [illegible] group turnover but the company is expanding [illegible] industrial and trading divisions.

KPN beats expectations with 17% gain

By Ronald van de Krol in Amsterdam

Koninklijke PTT Nederland, the Dutch [illegible] and postal [illegible] which was partly privatised in June, posted a [illegible] of nearly 17 per cent in first-half [illegible] profit, exceeding analysts' expectations.

The company predicted a large [illegible] in full-year profit, based [illegible] the [illegible] for the [illegible] months.

First-half [illegible] profit [illegible] to Fl 1.02bn ([illegible]) from Fl 873m a year earlier, on turnover up 7.1 per [illegible] at Fl 9.09bn. Analysts' forecasts had [illegible] for [illegible] earnings [illegible] between Fl 925m and Fl 995m.

KPN [illegible] volume [illegible] achieved by PTT Post, [illegible] postal arm, [illegible] exceeded expectations, reflecting [illegible] in both domestic and international mail. Operating profit [illegible] by slightly [illegible] than 25 per [illegible] Fl 263m.

The postal subsidiary, [illegible] in third-party mail handling in other parts of the world, is seen [illegible] a possible model for other countries [illegible] templating the privatisation of their postal authorities.

PTT Telecom, the group's [illegible] subsidiary and its largest [illegible] business, posted a 9.4 [illegible] in turnover and a 4.8 per cent rise in operating profit [illegible] Fl 1.51bn.

[illegible] interim dividend has [illegible] fixed at [illegible], in line with a [illegible] published in [illegible] prospectus in June.

The government's sale of a 30 per cent stake in KPN raised nearly Fl 7bn, making it the biggest bourse flotation in [illegible] history. It [illegible] to be [illegible] by a second [illegible] of shares by the end of 1997.

The first-half figures [illegible] after the close of bourse trading in Amsterdam, where KPN's shares closed at a new high of Fl 51.80. They had [illegible] at Fl 49.75, with private [illegible] receiving a [illegible] of Fl 2.50 on the first 75 shares.

NEWS IN BRIEF

Alitalia may use third-party carriers

Alitalia, [illegible] loss-making state airline, [illegible] it might [illegible] third-party carriers on [illegible] of its routes as part of a plan to make the [illegible] more [illegible] efficient. Reuter reports from Rome.

"Alitalia's strategy [illegible] the search for solutions including the [illegible] of a subsidiary company which would allow [illegible] to be [illegible] at lower [illegible] without losing [illegible] share," [illegible]

But [illegible] a report in a newspaper [illegible] it had presented a plan [illegible] sell [illegible] per [illegible] its long-range [illegible] Air Europe, a charter airline in which it owns [illegible] per [illegible]

Electricity company shares in record rise

[illegible] in most UK regional electricity companies [illegible] to record [illegible] yesterday [illegible] Crawley-based Seeboard joined what could [illegible] a rush by [illegible] companies [illegible] buy [illegible] their own shares, [illegible] Michael Smith in London.

The companies have now [illegible] 16 per cent on average in the [illegible] since the industry regulator [illegible] a pricing regime generally regarded as favourable for [illegible] industry.

Yesterday's [illegible] 2460m ($713m) [illegible] their [illegible] market values, taking the total [illegible] more than £17bn. Analysts predicted further [illegible] immediately [illegible] in the long term.

[illegible] analysts [illegible] could be falls for a [illegible] period after mid-October when [illegible] buy-backs [illegible] be ruled [illegible] in the run-up to [illegible] companies' annual results [illegible]

However, [illegible] an expected announcement in [illegible] on [illegible] National Grid, which [illegible] companies [illegible] likely [illegible] float [illegible] market [illegible] spring, [illegible] prices high.

Seeboard [illegible] of the companies, after Eastern, to buy [illegible] its own [illegible], but the first [illegible] since the regulator [illegible] its price review. [illegible] the purchase on Tuesday, paying [illegible] for [illegible] of its 257m [illegible]

Like [illegible] other regional companies [illegible] shares, [illegible] 438p, up 17p, [illegible] at a record high [illegible] night.

All [illegible] regional companies have [illegible] to buy back shares, mostly [illegible] up to [illegible] per [illegible] of their equity, [illegible] all [illegible] well equipped financially [illegible] do so. Buying back shares will boost earnings per share and the potential to increase dividend payments.

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W.H. Smith buoyant

W. H. [illegible], the UK retailing [illegible] the [illegible] removal of [illegible] net [illegible] which keeps [illegible] prices at fixed levels in the UK - as [illegible] reported a fall in full-year profits [illegible] from £113.8m, [illegible] Neil Buckley in London.

Exceptional [illegible] of Do It All, the DIY joint [illegible] with Boots, [illegible] an [illegible] encouraging performance.

Adding those [illegible] back, with [illegible] for restructuring in W.H. Smith - offset by [illegible] profits [illegible] disposals - underlying pre-tax profits were [illegible] per cent [illegible] £124.8m.

Bang & Olufsen posts record annual profit

By Hilary Barnes in Copenhagen

Bang [illegible] Olufsen, the Danish [illegible] and [illegible] products manufacturer, reported its best year in [illegible] months [illegible] May 31. [illegible] profits [illegible] DKr90m ([illegible]) compared with a [illegible] of [illegible] DKr60m in the previous year.

[illegible] increased 13 per [illegible] DKr2.40bn from DKr2.12bn. The [illegible] after [illegible] of DKr24m [illegible] a profit of DKr132m compared with a [illegible] of [illegible] last year.

The board proposed a DKr10-per-share dividend, the first to be paid for four years.

[illegible] flow [illegible] DKr540m from DKr97m. There was a return on equity capital of [illegible] per cent after negative [illegible] in each of the past [illegible]

The preliminary [illegible] the improved performance [illegible] in spite of a generally [illegible] market in [illegible] products.

Hagemeyer may lift share capital

Hagemeyer, [illegible] Dutch-based marketing and distribution [illegible], yesterday it may expand its [illegible] capital by roughly 5 per cent [illegible] this [illegible], [illegible] Ronald van de [illegible] in Amsterdam. However, it [illegible] that a joint [illegible] in [illegible] Pacific region with Cosa Liebermann of [illegible] land would lift profit [illegible] share.

The company released first [illegible] showing net profit up strongly at Fl 141m ($80.6m) from [illegible] a year earlier. The figures, in line with forecasts, include Fl 80.9m in after-[illegible] extraordinary gains.

SOUTH AFRICAN RESERVE BANK

Economic reconstruction and development with financial stability

Extracts from address by Dr C. L. Stals, Governor of the South African Reserve Bank, at the seventy-fourth ordinary general meeting of shareholders of the Bank on 23 August 1994

Introduction

The long awaited recovery in the South African economy finally materialised during the past twelve months. The country entered its longest post-war recession as far back as March 1989, while the protracted downward phase only levelled out during the first half of last year. Since the third quarter of 1993, total economic activity has clearly been [illegible] a recovery path. This [illegible] upward phase wavered [illegible] the first quarter of 1994, but then regained some momentum in the second quarter of this year.

The current recovery was also fostered by favourable weather conditions which led to a sharp increase in agricultural output, and by higher growth in [illegible] industrial countries which further promoted export volumes.

Most important of all was of course the good progress made in South Africa over the past year in the political and social reforms which culminated in the widely supported democratic election of 27 April 1994, and in the subsequent inauguration of Mr Nelson Mandela as the new President. In the period leading up to the election, initiatives were launched for the withdrawal of international sanctions and other punitive economic actions applied against South Africa in [illegible] United Nations resolutions. With the progressive termination of these actions, South Africa's international economic relations were gradually normalised, and the facilities offered by such institutions as the International Monetary Fund and the World Bank became accessible once again.

South Africa has arrived at a momentous stage in its history of development and must now display national responsibility for good economic governance and self-confidence in its future. The most important contribution that the central bank can make is to contain the inflation pressures that will unavoidably be encountered on the long road of economic development ahead. Without financial stability South Africa's journey along the path of econo[illegible] development and human betterment will [illegible] sustainable.

The beginning [illegible] a new economic upswing

After more than four years of low and, for most of the time, even negative growth, the South African economy started to recover again during the course of 1993. In the twelve months from July 1993 to June 1994, real gross domestic product [illegible] indeed 3½ per cent higher than in the immediately preceding twelve months. Growth was particularly strong in the second half of 1993, but then faltered in the early months of 1994, mainly as a result of renewed uncertainties leading up to the election of 27 April. In the second quarter of 1994, the expansion regained some momentum when gross domestic product increased at a seasonally adjusted annual rate of about 2 per cent.

The present upswing was supported by firm increases in the main components of domestic expenditure, such as consumption expenditure by households, gross domestic fixed investment and the accumulation of inventories. Together with a relatively sharp rise in [illegible] consumption expenditure by general government, the increases in the various components [illegible] demand pushed total real gross domestic expenditure [illegible] the twelve months ending in June 1994 to a level 4 per [illegible] above the level for the immediately preceding twelve months.

Despite the revival in total economic activity, total formal-sector employment continued to decline in 1993. In fact, the rate of decrease in employment accelerated from 0,6 per cent in 1990 and 2,1 per cent in both 1991 and 1992 to 2,5 per cent in 1993.

Persistent capital outflows

As could have been expected against the background [illegible] rising domestic expenditure, increases in imports, particularly in the first [illegible] of 1994, led [illegible] a smaller surplus on the current account of the balance of payments. Following upon a surplus of R5,9 billion in 1993, the actual current account surplus declined to only about [illegible] billion [illegible] the first half of 1994.

This rapid deterioration in the current account during the early phase of an economic recovery makes the [illegible] for an improvement in the capital account [illegible] balance of payments all the more important. Thus far, the net capital outflow has receded from [illegible] less than R9,8 billion in the last six months of 1993 to R3,7 billion in the first six months of 1994.

The weighted average value of the rand against a basket [illegible] of [illegible] Africa's major trading partners depreciated by no less than 18,7 [illegible] from [illegible] end of December [illegible] the end of July 1994. This depreci[illegible] in the [illegible] value of the rand exceeded the inflation differential between South Africa and the relevant countries, with the result that the real effective exchange rate of the rand depreciated by about [illegible] per [illegible] over [illegible] period.

Current financial developments

In 1993, the Reserve Bank [illegible] only provided the foreign [illegible] market with substantial [illegible] of foreign exchange in order to [illegible] against the wind in respect of a declining exchange rate, but also supported the money market to avoid an excessive tightening in liquidity and a possible rise in interest rates at a very early stage of the economic upswing.

The situation, however, changed during the course of 1993. The rate of growth in the M3 money supply measured over twelve-month periods increased from 1,9 per cent [illegible] July 1993 to [illegible] per cent in December 1993, and to 13,0 per cent in June 1994.

The rate of expansion in the amount of bank credit extended to the private sector, also measured over twelve-month periods, contracted from 8,7 per cent in December 1992 to [illegible] per cent in May 1993, before rising again to 9,7 per cent in December [illegible] and [illegible] 13,2 per cent [illegible] June 1994.

Against the background of the persistent outflows of capital and the depreciation in the exchange rate of the rand, the Reserve Bank switched to a more neutral policy stance during the early part of 1994 and refrained from any further special assistance to the money market.

Interest rates in general reached a lower turning point in February 1994. From then onwards the yield [illegible] over [illegible] full maturity spectrum shifted to a higher level. With long-term rates increasing even faster than short-term rates, the yield curve adopted a rather steep upward slope as the gap between long and short-term interest rates widened.

These developments ruled out the possibility [illegible] any further reduction in the Bank rate after six consecutive reduc[illegible] had been made from 18 per cent in March 1991 [illegible] 12 per cent [illegible] October 1993.

Large borrowing requirements of government

Over the past three fiscal years [illegible] ended on 31 March 1992, 1993 and 1994, [illegible] deficit before borrowing on the budget of the central government amounted to 4,3, 8,3 and 6,9 per cent of gross domestic product, respectively. For the fiscal year 1994/95 this deficit has been projected at a level of R29,3 billion, or 6,6 per cent of the estimated gross domestic product.

The [illegible] is now on a new course [illegible] private [illegible] fixed investment is increasing [illegible] is a rising demand [illegible] as evidenced by [illegible], admittedly only moderate, increase in the amount [illegible] credit [illegible] the private [illegible] situation, [illegible] borrowing [illegible] government [illegible] easily lead [illegible] upward pressure on [illegible] and a "crowding-out" of [illegible] private sector, and/or [illegible] the inspiration of financ[illegible] part [illegible] the [illegible] credit. Both [illegible] courses will sooner or [illegible] dampen the [illegible] upswing, [illegible] country's ability to [illegible] the current welcome expansionary phase [illegible] length of time, not unlike the old stop-go experiences [illegible]

[illegible] declines but inflationary pressures persist

One of [illegible] gratifying developments in the past year [illegible] the decline in the rate [illegible] the producer and consumer price [illegible] the past [illegible] increased [illegible] lowest [illegible] than [illegible] decades. The overall producer price index [illegible] increased by only 6,6 per [illegible] and the [illegible] price index by 9,7 per cent. [illegible] over twelve-month periods, the [illegible] of change in [illegible] producer price index [illegible] its [illegible] of the past eighteen months equal [illegible] 5,4 per cent in October 1993, before rising again to 7,9 per cent in June [illegible]. On [illegible] basis, consumer price inflation turned around [illegible] a low of 7,1 per [illegible] in April 1994, before increasing to 7,5 per cent [illegible] June 1994.

The many disadvantages of inflation have [illegible] spelled out in previous Governor's Addresses at these meetings, in almost all [illegible] Annual Economic Reports issued by the [illegible] in [illegible] times, and in many public speeches and publications by Reserve [illegible] officials. These disadvantages [illegible] be summarised in terms [illegible] the following quote from the [illegible] Reconstruction and Development Programme [illegible] "Excessive [illegible] or [illegible] balance of payments problems... would [illegible] the position [illegible] poor, curtail growth and [illegible] the RDP to fail".

Multi-factor productivity must improve

Now [illegible] South Africa [illegible] being reintegrated [illegible] economy and our producers [illegible] increasingly being exposed to international competition, it is of the utmost importance [illegible] shall as a nation become much [illegible] competitive.

A combination of relatively low wage increases on the one hand, and increased output per worker, on the other, resulted [illegible] a decrease [illegible] no [illegible] than 3,0 per [illegible] in [illegible] real labour [illegible] per unit [illegible] physical output in 1993. This development, it maintained, augurs well for the country's prospects for economic development.

There is an undeniable potential [illegible] increase productivity further in South Africa, for example through better education and training, improvement of servi[illegible] such as housing, [illegible] transportation and electrification, the in[illegible] of [illegible] advanced technology [illegible] the promotion of effective com[illegible]. In [illegible] words, the achievement of many of the objectives of the Reconstruction and Development Programme [illegible] of great importance, not only for socio-political [illegible] also [illegible] future economic development.

The constraint of exchange [illegible]

The exchange controls may have had [illegible] in achieving [illegible] original objectives, but like all direct controls of market activities applied over an extended period of time, they have also created many distortions in the South African [illegible] affecting the exchange rate, the general [illegible] rates, [illegible] prices of real [illegible] and financial assets, and [illegible] wages [illegible] salaries. Adjustments in these impor[illegible] variables which should normally have taken place over [illegible] years [illegible] either postponed or depressed under [illegible] system of exchange controls, and backlogs which accumulated will have [illegible] accommodated once the controls [illegible] ultimately removed.

In the long run, and in the interest of future [illegible] growth, [illegible] Africa must liberalise its foreign exchange market and revert [illegible] a system of unitary floating exchange rates, influenced only by necessary Reserve Bank intervention aimed at smoothing out reversible short-term fluctuations.

[illegible] important step in this direction was [illegible] when agreement [illegible] reached in September 1993 [illegible] Africa's [illegible] creditor [illegible] for a final rescheduling of the remaining amount of US $4,5 billion [illegible] the original amount of $13,6 billion blocked in [illegible] Africa since August [illegible] in [illegible] of a series of interim d[illegible] arrangements. This [illegible] will [illegible] fully repaid [illegible] creditors [illegible] regular six-monthly instalments up to 2001.

[illegible] far [illegible] remaining exchange controls [illegible] concerned there are, however, many different [illegible] on how and [illegible] should move [illegible] the present system to the desired system, and what supplementary [illegible] supporting [illegible] may be necessary [illegible] facilitate [illegible] transition. In many other countries, exchange [illegible] were successfully abolished only [illegible] part of a comprehensive and well-planned [illegible] restructuring programme, [illegible] with the co-operation and support of [illegible] International Monetary Fund and the [illegible] programmes normally provided for appropriate interest rate and exchange rate policies, and also committed the central bank and the government to clearly defined restrictive monetary and fiscal disciplines. The programmes [illegible] prescribed for some countries also inclu[illegible] constraints [illegible] future wage increases, and established external financing facilities to support the balance of payments [illegible] the transition period, if necessary.

The abolition [illegible] exchange controls [illegible] isolation without any supportive auxiliary measures may cause serious disruptions in the initial phase [illegible] transition, and [illegible] re-introduction of the [illegible] controls, or even the application of [illegible] direct controls [illegible] markets, all of which may be more damaging [illegible] the economy. [illegible] Africa [illegible] route.

The [illegible] the abolition [illegible] exchange controls, particularly if it were to be done [illegible] the support of a comprehensive package of [illegible] macro-[illegible] measures, is [illegible] vital importance. It [illegible] be advisable, [illegible] example, to take the plunge only after [illegible] Africa [illegible] finalised arrangements [illegible] re-entering the international capital [illegible]. The Reserve Bank has also warned before that the adjustment process could be rather painful [illegible] the abolition [illegible] exchange controls [illegible] place in a situation where [illegible] between the two exchange [illegible] is still substantial, large [illegible] readily available [illegible] rand balances [illegible] still [illegible] on deposit [illegible] banking [illegible] in [illegible] Africa, and [illegible] Reserve [illegible] has [illegible] a small [illegible] foreign [illegible] at its disposal to support [illegible] foreign exchange market [illegible] the initial [illegible] period.

It is [illegible] that huge amounts of capital will flow into South Africa [illegible] net basis once the restrictions on the outflow of capital from the country [illegible] removed. Exchange control is but one obstacle for the foreign investor [illegible] is looking around the world for countries where [illegible] can invest [illegible] savings. Other considerations, such [illegible] social and political stability, [illegible] viability, sound fiscal and monetary policies and improvements in multi-factor productivity, [illegible] greater importance [illegible] potential foreign investors.

The financial [illegible]

[illegible] number [illegible] African banking institutions [illegible] now involved in programmes for the establishment of a presence in major international [illegible] and [illegible] opening branches or subsidiaries in other African countries. This "internationalisation" of South African banks increases [illegible] responsibility [illegible] our regulatory [illegible] supervisory authorities to promote sound [illegible] well-managed banking institutions [illegible] the country.

For these [illegible] the South African regulatory authorities have actively encouraged the development of appropriate clearing, settlement, ownership-transfer and market [illegible] systems and [illegible] now insisting on proper intra-market [illegible] cross-market risk management systems, including capital adequacy requirements [illegible] market participants. Extended risk management arrangements have become necessary because of the rapid growth [illegible] the [illegible] African financial markets during recent years - in terms of the number of instruments and participants as well as turnovers - and the concomitant higher potential for systemic risks, including cross-market contagion... The Reserve Bank is now leading an initiative to create a strategic framework for the further development of the national payment system, aimed at achieving greater efficiency and risk reduction.

Many demands [illegible] being made [illegible] South African banking institutions to extend their activities in [illegible] Africa [illegible] accommodate also the banking needs of the less privileged parts [illegible] population, and to provide [illegible] funds [illegible] purposes such [illegible] housing, [illegible] financing, agriculture and small business development. The banks surely have responsibilities in [illegible] regard [illegible] can in [illegible] normal [illegible] of their business make [illegible] important [illegible] to the implementation of [illegible] Reconstruction and Development Programme. [illegible] it must [illegible] taken into consideration at all times [illegible] a bank's credibility and survival in the longer [illegible] will [illegible] determined by [illegible] quality of [illegible] Banks [illegible] not [illegible] into [illegible] risk exposures, for then [illegible] may also one day become dependent on subsidies from government.

Concluding remarks

South Africa [illegible] admiration [illegible] the world [illegible] the way in which it introduced a new and fully democratic political dispensation. The people [illegible] the country tackled almo[illegible] insurmountable problems [illegible] socio-political reform [illegible] determination, a[illegible] the will to succeed.

South Africans [illegible] now face the next task, that [illegible] of economic reconstruction [illegible] development, in the [illegible] spirit - we must play the [illegible] with [illegible] win. On [illegible] one hand, the country is faced with massive [illegible] unreasonable [illegible] its people for better living conditions and a better standard of life. On the other, we have limited [illegible] the needs of [illegible] people, for example, limited savings from which the necessary funding for the many urgent development programmes and expansion of the physical production capacity must be provided ... This challenge gives no reason for despair - it is a normal situation for any countr[illegible] in a similar stage of [illegible] development.

There is no instant solution [illegible] macro-economic challenge. South Africans [illegible] rid [illegible] of the illusion that a solution [illegible] found simply through artificial changes to prices: [illegible] cannot make South Africa rich just by depreciating the exchange rate, by lowering interest rates, by increasing wages, [illegible] by creating more inflation. Real wealth comes through hard work, greater efficiency, improved productivity and by being more competitive [illegible] other nations. Real wealth [illegible] only be [illegible] over decades, rather than years, and any durable process of economic development [illegible] only be maintained in an e[illegible] of overall [illegible], political, financial and [illegible] stability.

Against this background, the Reserve Bank has no other option but to continue to pursue its objectives of maintaining a stable overall financial environment, backed by sound and well-managed financial institutions, operating in efficient and reliable financial markets. This must remain the cornerstone of monetary policy in South Africa in the years ahead.

مكتبة الأصل

هكذا من الأصل

solid rise
turing costs

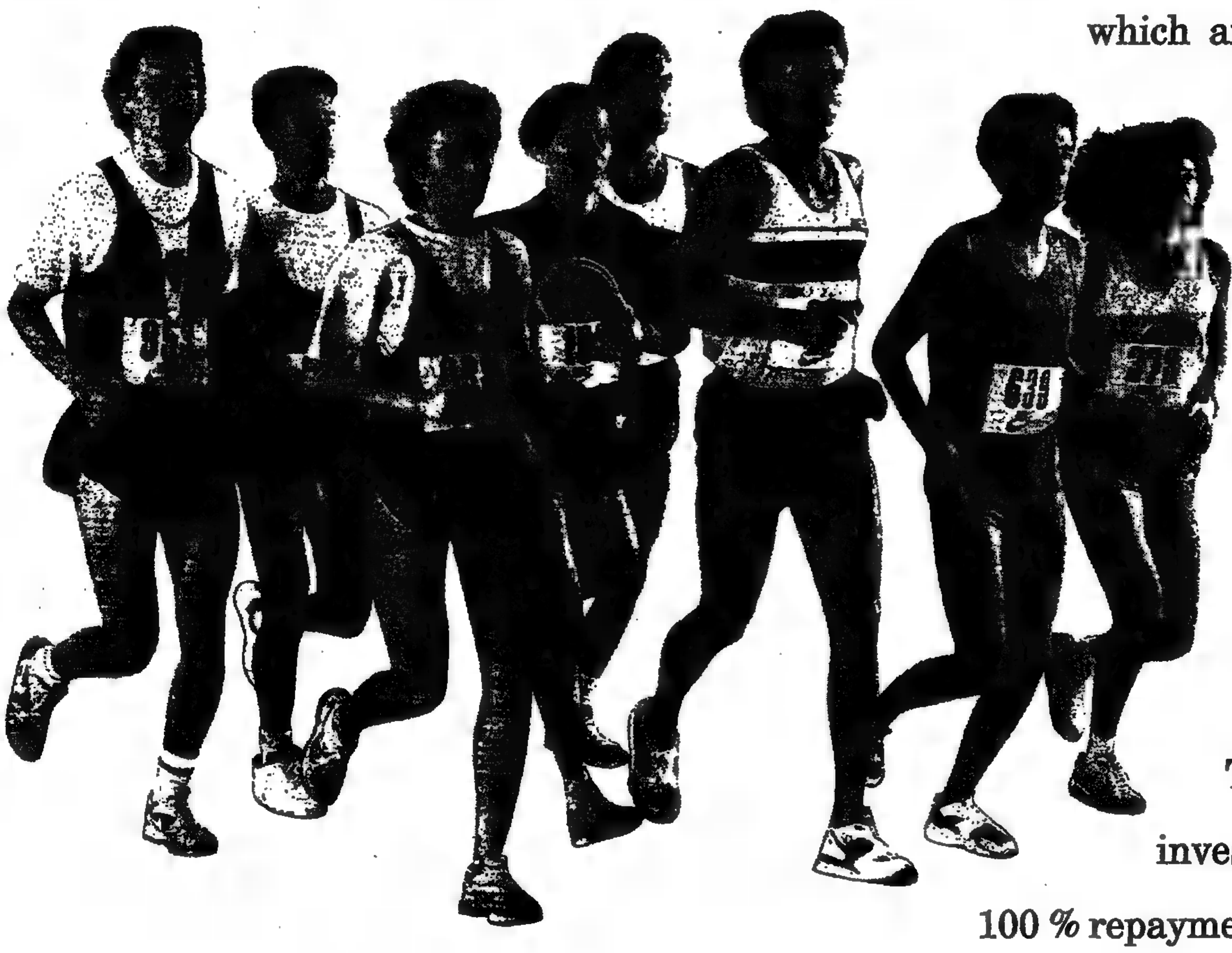
er sees surplus

THE GERMAN PFANDBRIEF

VERBRIEFTE SICHERHEIT

SOLID VALUE FROM THE GROUND UP

The last thing many investors want is to get adventurous about current fads and exotic markets. If safety, yield, a stable currency and long-term value are your priorities, consider Germany's Pfandbrief system. Pfandbriefe in Germany are bonds issued to refinance mortgages or public loans, a time-tested idea that dates back more than two centuries. In line with the Mortgage Bank Act of 1900, these bonds – which are secured by mortgages or by public-sector loans – can only be issued by specially authorized banks which are fully liable for each issue. They must carry backing of separate funds with at least matching yields and maturities. And all Pfandbrief issues are monitored by a state-appointed trustee.



The bottom line on safety? No investor has ever failed to receive 100 % repayment on a German Pfandbrief held to maturity. The legal framework surrounding Pfandbriefe has an unsurpassed record for endurance, offering investors a fixed-interest D-Mark instrument of quality – plus yields generally higher than German Treasury bonds (Bunds). Sound reasons why Pfandbriefe, at nearly DM 1 trillion at year-end 1993, amounted to 40 % of Germany's entire bond market.

German Pfandbriefe are officially quoted on German stock exchanges. Issuers actively maintain a well-functioning secondary market.

THE SYSTEM IS UNBEATABLE IN THE LONG RUN.

GERMANY'S MORTGAGE BANKS

DEPFA-BANK, WIESBADEN
BAYERISCHE VEREINSBANK AG, MÜNCHEN
HYPO-BANK, MÜNCHEN
DEUTSCHE HYPOTHEKENBANK FRANKFURT AG, FRANKFURT
RHEINHYP, FRANKFURT
DEUTSCHE GENOSSENSCHAFTS-HYPOTHEKENBANK AG, HAMBURG
FRANKFURTER HYPOTHEKENBANK AG, FRANKFURT
DEUTSCHE CENTRALBODENKREDIT-AG, KÖLN
BAYERISCHE HANDELSBANK AG, MÜNCHEN

WESTHYP, [redacted]
BERLIN HYP, BERLIN
SÜDDEUTSCHE BODENCREDITBANK AG, MÜNCHEN
MÜNCHENER HYPOTHEKENBANK EG, MÜNCHEN
HAMBURGHYP, [redacted]
WÜRTTEMBERGER HYPO, STUTTGART
NÜRNBERGHYP, NÜRNBERG
HYPOTHEKENBANK IN ESSEN AG, ESSEN
DEUTSCHE HYPOTHEKENBANK (ACT.-GES.), HANNOVER

BRAUNSCHWEIG-HANNOVERSCHE HYPOTHEKENBANK AG, HANNOVER
ALLGEMEINE HYPOTHEKEN BANK AG, FRANKFURT
RHEINBODEN HYPOTHEKENBANK AG, KÖLN
LÜBECKER HYPOTHEKENBANK AG, LÜBECK
NORDHYPO BANK, HAMBURG
BFG-HYPOTHEKENBANK AG, FRANKFURT
WL-BANK, MÜNSTER
HYPOTHEKENBANK IN BERLIN AG, BERLIN

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 23.08.94 Pool purchase price £/MWh	Final Prices for Trading on 30.07.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	13.30	10.50	10.50
0100	10.73	9.61	9.61
0130	10.73	9.61	9.61
0200	10.73	9.61	9.61
0230	10.73	9.61	9.61
0300	10.73	9.67	9.61
0330	10.73	9.61	9.61
0400	10.73	9.61	9.61
0430	10.73	9.61	9.61
0500	10.73	9.61	9.61
0530	10.55	9.61	9.61
0600	10.45	9.61	9.61
0630	11.05	9.61	9.61
0700	16.50	10.40	10.40
0730	17.89	15.79	19.31
0800	17.85	17.21	19.72
0830	17.67	17.30	19.81
0900	18.18	17.67	20.38
0930	19.09	20.05	22.57
1000	31.33	20.05	22.57
1030	19.14	20.06	22.58
1100	19.19	20.06	22.58
1130	19.31	20.07	22.60
1200	31.63	20.08	22.61
1230	31.61	20.08	22.61
1300	19.24	20.07	22.60
1330	19.08	20.05	22.57
1400	18.19	19.00	21.51
1430	17.70	18.23	20.75
1500	18.16	17.86	20.36
1530	18.16	17.86	20.36
1600	18.17	17.30	19.82
1630	18.19	17.30	19.82
1700	18.21	17.30	19.82
1730	18.18	17.30	19.82
1800	18.15	17.22	19.73
1830	17.66	17.30	19.81
1900	16.52	17.22	19.73
1930	16.52	17.22	[illegible]
2000	12.95	16.95	[illegible]
2030	16.52	16.63	[illegible]
2100	26.66	16.95	19.47
2130	26.66	32.97	35.48
2200	28.66	32.97	[illegible]
2230	22.36	32.97	[illegible]
[illegible]	18.40	20.01	[illegible]
[illegible]	15.50	20.01	[illegible]
[illegible]	15.60	14.46	[illegible]

[illegible] are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.66/MWh becomes 1.866p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0902-456789 between 8:30am and 5:15pm Monday to Friday.
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INTERNATIONAL COMPANIES AND FINANCE

Sandvik and Atlas Copco ahead on higher volumes

By Christopher Brown-Humes in Stockholm

Two [illegible] leading engineering groups, Sandvik and Atlas Copco, yesterday announced better-than-expected first-half figures [illegible] the [illegible] of a sharp upturn in volumes.

Both companies highlighted better demand from the automotive sector but noted continuing weakness in the mining and construction [illegible]

Buoyed by [illegible] improving economic climate in Europe, they forecast full-year earnings "significantly better" [illegible] in 1993.

[illegible] its result jump 53 per cent to [illegible] ($194m) while Atlas Copco, the Wallenberg-sphere industrial components group, lifted profits by 29 per cent to SKr852m.

Sandvik said currencies accounted for just three percentage points of a 12 per cent rise in sales to SKr11.99bn. The group's order intake was 18 per cent higher at SKr13.4bn.

All four [illegible] posted improved [illegible] Higher volumes and good productivity lifted cemented [illegible] division profits by [illegible] per cent [illegible] SKr962m. The [illegible] division, where profits rose [illegible] from SKr231m, benefited from higher capacity [illegible]

[illegible] strong demand [illegible] the [illegible] and engineering industries contrasted with a difficult market for sales to the mining, construction, chemical and energy sectors.

Atlas Copco said it was at last seeing an extensive investment programme pay off due to rising volumes and better utilisation rates. But while there was a clear improvement in its compressor and industrial technique divisions, profits fell within the compressor and mining business.

[illegible] combination of higher volumes, currency effects, acquisitions and price increases helped lift invoiced sales by 12 per cent to SKr10bn, while the order intake expanded by 14 per cent to SKr10.7bn. The volume increase was greater for orders than for sales, the group said, noting a clear break with the trend which took volumes down by 25 per cent between 1990 and 1993.

Industrial technique benefited from a turnround in the automobile industry, with profits rising to SKr203m from SKr138m. Profits in compressor technique were also higher, advancing to SKr646m from SKr466m, helped by a SKr700m investment programme at an Antwerp plant.

But compressor and mining technique profits dropped from SKr86m to SKr62m after being depressed by a drop in volumes and restructuring costs.

Sandvik said yesterday it had acquired more than 50 per cent of the shares in Russia's largest cemented carbide company, Moskovskij Kombinat Tverdih Splavov (MKTS), writes Christopher Brown-Humes.

The move, which builds on [illegible] 20-year co-operation between the two companies, is designed to boost Sandvik in an important market, said Mr Clas Ake Hedström, chief executive.

He said: "Russian industry, as well as industry in the other countries of central and eastern Europe, is on the verge of a comprehensive modernisation of metal-cutting machining." The group intends to increase its ownership stake further.

Moscow-based MKTS has 1,200 employees and annual sales of SKr200m ($26.33m) spread throughout the Commonwealth of Independent States. It manufactures and markets cemented carbide for machining tools, rock-drilling tips and wear parts.

Ralph Lauren

Ralph Lauren sells stake to fund expansion

By Bronwen [illegible] in [illegible]

Mr [illegible] Lauren, [illegible] of [illegible] which have [illegible] symbolise a clean-cut, well-bred way of American life, has sold 28 per cent of his company to Goldman Sachs, the investment bank, for $135m.

It is the first time that the designer and his business partner, Mr Peter Strom, have turned to outside capital to fund expansion. Mr Lauren is also expected to take some cash out of the transaction.

New York-based Polo Ralph Lauren, Mr Lauren's company, earns revenues of some $3.9bn a year from men's leisure clothes, shirts and ties, as well as from licensing fragrances, furniture and interior decoration under Ralph Lauren labels.

Goldman, which has advised Polo Ralph Lauren for six [illegible], describes the stake as a "passive" and "long-term" investment.

[illegible] the [illegible] in [illegible] affiliate GS Capital Partners, a $1bn investment fund started in 1992, owned 30 per cent by Goldman and 70 per cent by its clients.

Goldman's investment leaves Mr Lauren with 65 per cent of the company, down from 90 per cent, and Mr Strom with 7 per cent, down from 10 per cent.

Mr Lauren, who is 54, and Mr Strom, who is 65, have said that they will continue to participate actively in running the company.

See Observer

Mercedes-Benz to buy VW engines

By Kevin Done, Motor Industry Correspondent

Mercedes-Benz, the German maker of luxury and executive cars, is to buy engines from Volkswagen for use in a future passenger [illegible]

It is the first time [illegible] Mercedes-Benz will have [illegible] another manufacturer's engines in one of its mainstream passenger vehicles, and is an important sign of its new readiness to develop alliances with other vehicle producers.

The deal marks the second significant collaboration this year between two [illegible] Europe's biggest [illegible] makers. In April VW agreed [illegible] license technology from Mercedes-[illegible] for [illegible] development of a new [illegible]

Mercedes-Benz said yesterday [illegible] to purchase VW's VR6 engines and automatic gearboxes for use in its planned range of multi-purpose [illegible] (MPVs), which are expected [illegible] launched in [illegible]

The new vehicle, to be [illegible] the Viano, will [illegible] for [illegible] first time into one of the fastest [illegible] segments of the European car market.

The Viano will compete with established rivals such as the Renault Espace and new vehicles that [illegible] being launched by Peugeot, Fiat, Ford and VW [illegible]

Mercedes-Benz said that engine and gearbox purchases from VW were expected to total around DM50m [illegible] a year.

The Viano will be produced at the Mercedes-Benz plant at Vitoria, Spain, with a capacity of up to 25,000 units [illegible] year.

Under [illegible] licensing deal announced earlier this year VW is to [illegible] Mercedes-Benz technology to develop [illegible] sor for [illegible] LT range [illegible] heavy vans.

Mercedes-Benz will [illegible] supply [illegible] with components for the [illegible] including steering gear, transmissions [illegible] around DM250m a year.

Both [illegible] represent part of the important consolidation taking [illegible] in [illegible] European vehicle industry, as makers [illegible] and [illegible] development times for new products.

NRMA [illegible] A$215m profits

By [illegible]

NRMA, Australia's largest [illegible] organisation [illegible] general insurers, yesterday forecast that [illegible] would make [illegible] A$215m (US$158m) in [illegible] end-June 1995.

[illegible] represent a sharp turnround from the A$129m scored in the year just ended, although realised losses of A$128m in 1993-94 were abnormally high and depressed the [illegible] profits [illegible] respectively.

[illegible] NRMA made the forecast in [illegible] prospectus. [illegible] group's [illegible] approved [illegible] plan [illegible] "demutualise" [illegible] earlier [illegible] month.

Row over control of McCain Foods flares up

By Robert Gibbens in Montreal

The two-year [illegible] for management control of family-owned McCain Foods, the international frozen foods group, has flared up again.

Mr Wallace McCain, 64, co-chief executive with his brother Harrison, 66, has proposed ending their dispute over succession by taking the company public and bringing in an outsider to lead it.

But McCain Foods' chairman, Mr Andrew McCain, said the board would come up with its own proposal for the succession on September 13. It opposes [illegible] plan [illegible] go public.

[illegible] (US$2.1bn) in annual sales and [illegible] highly profitable. [illegible] proceeds of a public issue would be used to expand the business internationally and enable a dividend to be paid, Mr Wallace McCain said.

The company is 100 per cent controlled by several generations of the McCain family.

Four outside directors would be appointed, while the board would [illegible] the [illegible] brothers and the new chief [illegible]

Last April [illegible] New Brunswick judge arbitrated the dispute between the brothers [illegible] it, including [illegible] public [illegible] appointing an outsider as chief executive.

Mr Wallace and Mr Harrison McCain support different members of the family to succeed them.

Blockbuster approves merger with Viacom

By Patrick Harverson in New York

The board of US video retailer Blockbuster Entertainment has approved the merger of the company with Viacom, the entertainments group.

The decision ends months of uncertainty over the planned $8.4bn union, which was conceived in January as part of Viacom's $10bn takeover of Paramount Communications.

At the time, the structure of the stock-swap deal would have given Blockbuster stockholders $31.50 a share.

However, a subsequent sharp drop in the value of Viacom stock – which was plagued by concerns about how the group would pay off the more than $9bn in debt that it took on to acquire Paramount – drastically cut the value of the deal for Blockbuster stockholders.

Instead of $31.50 a share, at one point they were faced with accepting only $21.75 a share, and it was not long before Mr Wayne Huizenga, Blockbuster chairman, and other leading stockholders [illegible] have [illegible] thoughts about [illegible] merger.

By May the deal looked dead, but a gradual recovery in Viacom's share price over the summer (buoyed partly by the impressive performance of Paramount-produced films at the box office) breathed [illegible] life into [illegible] and late on Tuesday [illegible] board approved [illegible]

The company's stockholders will now receive about $29 for [illegible] share.

[illegible] in [illegible] fell $1% to [illegible] while [illegible] dropped $1% [illegible] $26% [illegible] the [illegible] yesterday.

هكذا الأهل

INTERNATIONAL COMPANIES AND FINANCE

Higher advertising revenues lift Fairfax

By Nikki Tait in Sydney

John Fairfax, the Australian newspaper publisher in which three media magnates – Mr Kerry Packer, Mr Rupert Murdoch and Mr Conrad Black – hold stakes, nearly doubled [redacted] in the [redacted] to [redacted] end [redacted] June, to A$110.7m (US$81.4m), it revealed yesterday.

The figure, which [redacted] after [redacted] but before abnormal items, compares with A$67.1m in [redacted] previous [redacted].

Revenues rose by 9.8 per [redacted] to A$845.8m, and earnings per [redacted] (on [redacted] fully-diluted [redacted]) totalled 13.99 cents, against 9.01 cents previously.

Below the line, Fairfax also enjoyed a A$75.2m abnormal [redacted] benefit, taking [redacted] profits to A$185.7m, up from A$67.2m a year earlier.

The group is raising its final dividend [redacted] from 4.5 cents, making a total for the year of 7.5 cents.

Fairfax, which publishes the Sydney Morning Herald, Melbourne Age and Financial Review, said that it had seen increased advertising volumes and revenues, although it also attributed the improvement to productivity [redacted] efficiency gains.

Classified advertising volumes were up by 9.7 per cent at the Herald and 10.9 per cent at the Age, while display ad volumes rose by 10.6 and 3.8 per cent respectively. Advertising volumes at the Financial Review were "steady".

Operating costs increased by 6.8 per cent, but the company said that this was mainly due to promotional activities, new operations and higher newsprint costs. With these items excluded, it said that the rise would have been 3.6 per cent.

Fairfax also benefited from lower interest charges, down from A$54m to A$37m.

The company added that it was "pleased with the results to date in the 1995 trading year". The company has been the focus of much speculation recently, because of its potentially unstable share register.

Canadian Mr Conrad Black holds almost 25 per cent of the shares, but is barred from going higher under Australia's restriction of foreign ownership of print media assets. Mr Packer has just under 15 per cent, but is also pegged at this level because of media [redacted] ownership rules. Mr Murdoch appeared on the share register in June and is thought to hold [redacted]

● Mr Tony O'Reilly's Australian Provincial Newspapers, a regional newspaper publisher operating mainly in Queens[redacted] Wales, yesterday reported profits after tax and abnormals of A$8.11m in the half-year [redacted] end-June, [redacted] same period [redacted] previous [redacted] by one-third to A$80.7m.

Seoul curbs overseas bond issues

By John Burton in Seoul

South [redacted] finance ministry will ban companies [redacted] convertible bonds and [redacted] in foreign capital [redacted] in [redacted] fourth quarter [redacted] this year.

The ministry [redacted] sion was meant [redacted] prevent inflationary [redacted] by [redacted] inflow [redacted] foreign capital, with [redacted] government [redacted] that inflation will [redacted] year's target [redacted] 6 per [redacted] It [redacted] that [redacted] ceiling of [redacted] bond [redacted] 1994 [redacted] already been [redacted]

South [redacted] companies have been [redacted] tap foreign capital markets to [redacted] an expansion in [redacted] being [redacted] in [redacted] an export boom.

[redacted] 21 companies [redacted] applied to [redacted] Korea [redacted] Dealers' Association [redacted] during the fourth quarter.

They [redacted] hoping [redacted] advantage [redacted] improved financial conditions resulting from [redacted] possible [redacted] North Korean nuclear dispute.

The ministry had initially proposed to exempt Pohang Iron and [redacted] (Posco) from the ban [redacted] bond issues. But it decided to impose [redacted] restrictions [redacted] protests [redacted] companies.

Posco planned to issue $200m in American Depositary Receipts this [redacted] to seeking [redacted] on [redacted] New York Stock Exchange, the first for a [redacted]

BHP acts on Beswick shareholding

By Nikki Tait

[redacted] Hill Proprietary, [redacted] largest [redacted] yesterday [redacted] quell [redacted] group's [redacted]

It said that the 18.2 per cent stake in BHP which is held by Beswick, a company in which BHP owns a half-share, would in future be voted by an independent trustee.

The Beswick board, however, would still be able to decide whether the tranche of shares should be voted at all.

The complex Beswick situation dates back to the late 1980s, when BHP was the subject of takeover efforts by Mr John Elliott and the late Robert Holmes à Court.

Peace was finally declared in 1988, and it was agreed that Beswick would house the stake which Mr Elliott had acquired in BHP. Beswick, in turn, would be owned jointly by Mr [redacted] IXL (which [redacted]

It was obvious in 1988 that the circularity of the structure might mean that BHP was able to influence the voting of the Beswick shares – a potentially undesirable situation.

ANZ Executors & Trustee Company was therefore given a tiny share stake in Beswick. Many shareholders, voting on [redacted] arrangement in [redacted] responsibility [redacted] voting [redacted] holding in "[redacted] of BHP [redacted] whole [redacted] pro[redacted] or [redacted] continued long-term development of BHP as a significant independent Australian and international company".

However, over the past six years, the Beswick board – which is made up of one representative from BHP, one from Foster's and three independents – has tended to vote the stake, or simply given its proxy to BHP's chairman, and [redacted] been minimal.

This situation has prompted persistent shareholder complaints.

Earlier this year, for example, the Australian Shareholders' Association called for the holding either to be converted to non-voting status or [redacted] the trustee's role to be enforced.

The new procedures, which were [redacted] yesterday, [redacted] unless [redacted] at all.

[redacted] specific [redacted] will [redacted] voting intention, [redacted] announced [redacted] stock exchange.

[redacted] questioned if [redacted] entire [redacted] – adopted [redacted] prevent [redacted] major [redacted] the [redacted] -could [redacted]

However, BHP has said that this would incur a large tax liability..

Pioneer advances to A$152m for year

By Nikki Tait

Pioneer, the Australian-based building materials and petroleum refining group, yesterday announced [redacted] A$152.3m (US$111.90m) profit [redacted] abnormal [redacted] the [redacted] on [redacted]

[redacted] figure [redacted] with A$136.6m in the previous year, when sales were A$5.24bn, but [redacted] are muddied by abnormal [redacted] and asset sales.

The company took a A$99.8m [redacted] year to [redacted] write-downs [redacted] rationalisation costs which [redacted] a group-wide review [redacted] company's [redacted]

[redacted] partly offset by profits from the sale of two significant assets, leaving the net abnormal charge at A$37.9m. In the previous year there was an abnormal surplus of A$11.4m.

Pioneer said that operating profit, before interest charges, improved [redacted] from [redacted]

The upturn [redacted] entirely from the building [redacted] span Europe, [redacted] and Asia, as [redacted] Australia.

[redacted] an operating profit of [redacted] compared with A$149.2m [redacted]

Pioneer said that product [redacted] had increased slightly, and [redacted] conditions [redacted] improved in [redacted]

It [redacted] was driven [redacted] efficiencies.

[redacted] petroleum refining and marketing side, [redacted] reported [redacted] fall in operating profits from A$194.1m to [redacted]

[redacted] retail discounting and [redacted] refining margins.

However Mr John Schubert, who took over as managing director last year, said that he expected some improvement on both [redacted] this [redacted] economic conditions continued to improve and refining margins edged higher.

Earnings per share after abnormals were 17.3 cents, up from 15.7 cents.

NEWS DIGEST

Redundancy payouts affect Caltex results

By Nikki [redacted]

[redacted] Australia, [redacted] is part of [redacted] Texas-based Caltex group although quoted separately [redacted] the Australian [redacted] Exchange, [redacted] 44.3 [redacted] fall in first-half profits, [redacted] end-June.

After-tax profits [redacted] A$19.8m, (US$14.5m), on sales of [redacted] compared with A$35.5m on revenues [redacted] A$1.71bn [redacted] year [redacted]

The most [redacted] figure was [redacted] $10.5m abnormal [redacted] There [redacted] no [redacted] charges [redacted] previous [redacted] figure [redacted] A$6.37m [redacted] adjustment gain. Earnings per [redacted] cents, compared with [redacted] previously.

Caltex, which operates more [redacted] 1,000 service [redacted] that [redacted] abnormal charge [redacted] to redundancy [redacted] its Kurnell refineries, which would be recovered in two [redacted]

It [redacted] that competition in the [redacted] retail petrol [redacted] had [redacted] "dramatically" in [redacted] first quarter [redacted] the [redacted] that market growth in 1994 had [redacted] "basically [redacted]" for petrol, with [redacted] fuels expanding 3 per cent.

Goodwyn gas site insurance settled

Woodside Petroleum, the Australian oil and gas company, announced yesterday that the partners in Western Australia's North West Shelf gas project had settled an insurance claim for repairs to the foundation piles for A$280m [redacted] This is [redacted] the [redacted] expenses, put at [redacted] before allowing for the cost of delays.

The problem arose two years ago [redacted] piles being driven into the seabed underneath the Goodwyn gas and condensate production platform [redacted] returned, [redacted] the remaining costs, will be shared equally between the six partners, Woodside, BHP, BP, Chevron, Japan Australia LNG (MIMI), and Shell.

C&A to join GPCC project

Coal & Allied Industries, which is part of the large CRA resources group, has signed a letter of intent with China's Guangdong Provincial Coal Corporation, stating that the [redacted] companies "will [redacted] co-operating in [redacted] coal project" in [redacted] South [redacted]

C&A said that GPCC was seeking a long-term coal supply contract from C&A, primarily through a joint-held project in the region.

INTERNATIONAL CAPITAL MARKETS

US traders cautious ahead of auction

By Frank McGurty in New York and Antonia Sharpe in London

US Treasury bonds gave back most of their early gains yesterday morning, as concerns over an afternoon supply auction offset the market's initial reaction to a favourable economic reading.

By midday, the benchmark 30-year government bond was up [illegible] at 99$\frac{26}{32}$, with the yield slipping to 7.517 per cent. At the short end, the two-year note was $\frac{1}{32}$ better at 100$\frac{1}{32}$, to yield 6.217 per cent.

Bonds jumped ahead in the early hours on news from the commerce department that factory orders of durable goods had plunged [illegible] per cent in July. Analysts [illegible] forecasting [illegible] slight increase, [illegible] the [illegible] came [illegible] pleasant surprise to [illegible] anxious about [illegible] sign [illegible] acceleration, [illegible] could [illegible] the value of fixed-rate [illegible].

However, [illegible] was short-lived. Closer examination of the report revealed that the unexpected weakness had stemmed primarily from a massive 15.8 per cent drop in aircraft orders, and a seasonal shutdown of automotive plants. Excluding the volatile transportation component, the decline, at [illegible] per cent, was relatively tame.

GOVERNMENT BONDS

After the market had time to digest the implications of the report, bond prices receded to just above their opening values, even though a steady dollar was providing additional support.

The cautious mood reflected uncertainty over the outcome of the Treasury's sale of $11bn in five-year notes later in the day.

Although Tuesday's auction of $17.25bn in two-year notes had drawn much better demand than anticipated, doubts [illegible] to surround yesterday's operation, which was expected to generate less interest among individual investors.

The unexpected fall in US durable goods orders for July caused European government bond markets to jump, but the rally was short-lived as profit-taking set in almost immediately.

Analysts said it would have been dangerous for the markets to have read too much into the fall, given the notorious volatility of this series. "The market shot up and then came back," said Mr Adam Chester, international bond strategist at Yamaichi. He said the fall in the data did not call for a reassessment of the Federal Reserve's position on inflation.

The other main economic news of the day was the release of cost-of-living data for August from two of Germany's most populous [illegible] North Rhine-Westphalia reported that prices were up 0.1 per cent in August for a yearly increase of 2.8 per cent. Prices in Baden-Wuerttemberg rose 0.2 per cent for [illegible] annual 3.1 per cent increase.

Although the market is still waiting for data from other states, analysts said it was more than likely that the national figure would be at least 3 per cent. Even though the yearly rate should fall below 3 per cent later in the year, it was inevitable that the downward progress on the inflation front was slowing, now that the economy was picking up steam, they added. "It is a swift reminder that the interest rate cycle is turning," said Mr Kit Juckes, international economist at S.G. Warburg.

On Liffe, the September bund future ended almost unchanged on the day, down just 0.02 point at 91.41, well off the day's low of 91.60.

Sterling's recovery against the D-Mark helped to underpin the UK gilts market, though trading remained thin. On Liffe, the September long gilt future stood $\frac{3}{32}$ point higher at 100$\frac{27}{32}$ in late trading.

The recent stream of better-than-expected inflation and wage data has prompted Kleinwort Benson to cut its 10-year gilt yield projection for year-[illegible] from 9.25 per cent to 8.5 per cent.

"We are looking for gilts to outperform bunds and Treasuries from now until the end of the year," said Mr Julian Callow, European economist at Kleinwort Benson.

He [illegible] noted that index-linked yields were now close to their 10-year average of 3.8 per cent, [illegible] probably did [illegible] have much further to fall. "As a result, we would suggest a switch out of index-linked into [illegible] gilts," he said.

Report identifies risks of OTC regulatory loophole

As the market in equity derivatives grows, problems may arise from the sector's regulatory framework - or rather, lack thereof.

These risks were highlighted in a recent report on the role of derivatives in Europe's securities markets, commissioned by the International Securities Market Association (ISMA).

The report points to a regulatory imbalance between cash and OTC derivatives markets which has created an arbitrage opportunity allowing market participants to beat regulatory barriers in the cash markets by moving into the OTC sector. The report also draws attention to the fact that traders can use equity derivatives to circumvent restrictions on insider dealing and foreign shareholdings.

In the past, equity transactions in the cash market were reported to stock exchange authorities. However, due to the growing activity in OTC equity derivatives, deals are increasingly reported to banking authorities, the study explains. This [illegible] a high proportion [illegible] large, medium-term [illegible] transac[illegible] by [illegible] which [illegible] balance sheet strength, rather than by securities houses.

The data reported to banking authorities tend to be aggregated, and banking supervisors, whose primary concern is prudential supervision, generally do not obtain information about individual transactions.

As a result, stock exchange authorities in many countries appear to be in the dark about OTC derivative trades on the shares they supervise.

"Given that some banks [surveyed] indicated a willingness to trade OTC derivatives of up to 5 per cent of a company's capitalisation in a single transaction, we feel this is a significant gap in information flow which needs to be addressed," the report's authors state.

The result of the OTC/stock exchange divide is that the absence of reporting requirements in the OTC market provides an obvious incentive to channel transactions that might otherwise be handled in the cash market, and caught by reporting requirements there, into the OTC market, they add.

DERIVATIVES

"While we do not support regulation for regulation's sake, neither do we feel that regulatory arbitrage is desirable. For this practical reason, we feel that reporting requirements in the cash equity markets and in the OTC derivatives markets should be made parallel."

They add that "if one market is regulated more tightly than the other, the effect will simply be to drive transactions into the other market".

Any shift of business from the cash to the OTC market bears the risk of reducing cash market transparency for equity investors. Moreover, imposing tight regulations on the cash markets, in which smaller firms can trade fairly freely, but leaving the OTC market entirely unregulated "results in a regulatory tilt in favour of the large global firms which are able to use the OTC markets in a manner not available to smaller firms", the report warns.

These worries are not shared by all market participants. "OTC deals are private transactions: I don't think it would be appropriate to regulate every transaction occurring between two private counterparties - that would prevent a lot of good financial transactions from occurring," says one derivatives specialist at a large international bank.

The report also points to other ways - outside the OTC market - in which equity derivatives can allow traders to escape the regulators' attention.

Derivatives can be used, for example, to execute insider trades without dealing in either the share or a direct derivative of the share. According to the study, this appears to have occurred on at least one occasion through a technique called "mirror" trading, where a dealer buys a derivative on an index or a basket of [illegible] and sells short the components he doesn't want.

If, for example, a dealer has [illegible] information on a particular French company included in the CAC-40 stock index, he could buy the CAC-40 future and sell short the 39 other shares in the index, leaving him with a net exposure to only the target share - the equivalent of having a position in the underlying shares.

In markets where an index future covers a large number of shares, an alternative might be to buy a basket warrant covering a limited group of shares including the target share and run short positions in the remaining shares.

In both cases, it would be hard for investigators to prove that insider trading has taken place.

Moreover, if regulators were to search for suspicious trading patterns in a given equity, this type of trade would not necessarily appear on their checklists.

Conner Middelmann

Further delay for Lebanese debut

By Tracy Corrigan

Lebanon's [illegible] offering is [illegible] planned for late September, after being [illegible] in [illegible] due to [illegible] conditions, particularly for emerging market [illegible].

INTERNATIONAL BONDS

The offering, now expected to raise $150m rather than the $300m originally planned, will be preceded by a series of investor presentations. The mandate for the deal has been awarded to Merrill Lynch.

Dealers said there had been no real price talk for [illegible] issue, and the maturity date had yet to be decided.

However, the deal is expected to short-dated, and price talk earlier in the year suggested that the deal would be in the region of 350 basis points over the comparable US Treasury yield.

"The message on Lebanon is fairly positive," said one syndicate manager. "Things have turned around pretty quickly there, and the economic numbers are looking good."

However, Middle Eastern countries do not have a history of borrowing in the eurobond market, and investors are likely to require extensive briefings on the economic outlook for the country. Further, some investors will be unable to participate in the deal because the country has no credit rating.

However, dealers said that Lebanese flight capital held in Switzerland was likely to be invested in [illegible] paper, [illegible] such investors [illegible] not be concerned by the [illegible] rating.

Elsewhere, dealers are still expecting Japan Highway's $500m government-guaranteed 10-year deal to be launched before this weekend.

The market will then brace itself for a slew of Japanese issue from the likes of Metropolis of Tokyo, the Japan Development Bank and the City of Kobe.

Yesterday, General Electric Capital Corporation and the Council of Europe each launched offerings in the eurolira sector totalling L150bn.

The high 11½ per cent coupon on GECC's three-year deal proved attractive to retail investors, who will hold the bonds until maturity, and so are not necessarily concerned about interest rate volatility in the Italian market.

NEW INTERNATIONAL BOND ISSUES

Borrower	[illegible] m.	Coupon %	Price	Maturity	Fees [illegible]	Spread [illegible]	Book runner
US DOLLARS							
Persero, HK Branch‡	146	(a)	100.00	[illegible]	[illegible]	-	Sakura Finance Asia
Unibanco, Gd Cayman Branch	60	[illegible]	100.00R	Sep.1996	0.6875R	+375(5¼%-96)	Swiss Bank Corp.
CANADIAN DOLLARS							
Kingdom of Sweden(b)	75	8.25	[illegible]	[illegible]	[illegible]	[illegible]	Daiwa Europe
ITALIAN LIRE							
General Electric Capital Corp.	150bn	11.50	101.025	[illegible]	1.375	-	JP Morgan Securities
Council of Europe	150bn	[illegible]	[illegible]	[illegible]	[illegible]	-	Banca di Roma
SWISS FRANCS							
Eurofima	250	5.50	[illegible]	Sep.2004	undiscl.	-	UBS
Sudwestdeutsche Landesbank(c)	100	5.25	[illegible]	Oct.1998	undiscl.	-	Credit Suisse

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) 6-mth Libor +125bp. b) Fungible with C$200m from 29/12/94. Short 1st coupon. c) Long last coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red [illegible]	Price	Day's [illegible]	[illegible]	[illegible] ago	[illegible] ago
Australia		9.000	[illegible]	97.6800	+0.280	9.36	9.23	[illegible]
Belgium		7.250	04/04	92.3500	[illegible]	8.43	[illegible]	[illegible]
Canada *		[illegible]	06/04	85.5500	[illegible]	[illegible]	[illegible]	9.39
Denmark		7.000	[illegible]	87.4700	-0.200	8.90	[illegible]	[illegible]
France	[illegible]	8.000	05/98	102.2500	-	[illegible]	[illegible]	6.58
	[illegible]	5.500	[illegible]	84.5300	[illegible]	[illegible]	[illegible]	7.30
Germany [illegible]		[illegible]	[illegible]	96.3600	-0.090	[illegible]	7.22	[illegible]
Italy		[illegible]	[illegible]	82.5000	[illegible]	11.66†	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.66
		4.100	[illegible]	[illegible]	-0.340	[illegible]	[illegible]	[illegible]
Netherlands		[illegible]	[illegible]	89.6000	-0.040	7.31	7.21	6.93
Spain		[illegible]	[illegible]	82.4500	-	[illegible]	11.10	10.48
UK [illegible]		6.000	[illegible]	[illegible]	+1/32	[illegible]	[illegible]	8.26
		6.750	11/04	[illegible]	+1/32	[illegible]	8.56	[illegible]
		9.000	10/08	102-28	+1/32	[illegible]	[illegible]	8.61
US [illegible] *		7.250	[illegible]	99-30	[illegible]	[illegible]	7.13	7.33
		7.500	[illegible]	[illegible]	+2/32	7.52	[illegible]	[illegible]
ECU (French Govt)		8.000	04/04	84.3400	[illegible]	[illegible]	8.33	7.76

London closing, *New York mid-day [illegible] Local market [illegible]
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

Prime rate	[illegible]	One month	[illegible]	Two year	[illegible]
Broker loan rate	6¾	Two month	[illegible]	Three year	[illegible]
Fed.funds	4⅝	Three month	[illegible]	Five year	[illegible]
Fed.funds at intervention	-	Six month	[illegible]	10-year	7.27
		One year	5.60	30-year	[illegible]

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	113.42	113.42	+0.06	[illegible]	113.12	[illegible]	[illegible]
Dec	112.52	[illegible]	[illegible]	112.80	[illegible]	6,635	[illegible]
Mar	[illegible]	111.90	[illegible]	111.88	111.80	40	[illegible]

■ [illegible] TERM FRENCH BOND [illegible] (MATIF)

[illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

[illegible]

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

[illegible]

■ NOTIONAL MEDIUM TERM GERMAN GOVT. [illegible] (BOBL)(LIFFE)* DM250,000 100ths of 100%

[illegible]

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	[illegible]	[illegible]	[illegible]	High	Low	Est. vol	Open int.
Sep	98.16	99.00	+0.81	99.44	98.12	54041	69502
Dec	96.67	97.33	[illegible]	97.77	96.67	5666	[illegible]
Mar	-	95.79	+0.79	-	-	0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS [illegible]
9700	2.86	3.20	2.62	[illegible]
9750	2.66	2.99	2.83	4.70
9800	2.40	2.79	3.07	[illegible]

Est. vol. total, Calls 1061 Puts 434. Previous day's open int., Calls 3037 Puts 5332

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	87.79	87.74	[illegible]	[illegible]	87.54	[illegible]	67,727
Dec	86.50	86.63	-0.10	86.72	86.50	6,966	11,902

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	[illegible] vol	[illegible]
Sep	100-25	[illegible]	[illegible]	101-01	100-15	39674	96921
Dec	100-07	100-10	[illegible]	[illegible]	99-31	4565	15436
Mar		99-22	[illegible]			[illegible]	[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
100	2-30	[illegible]	2-10	[illegible]
[illegible]	1-61	2-49	2-41	4-05
102	1-33	2-23	[illegible]	[illegible]

Est. vol. total, Calls 1202 Puts 3292. Previous day's open int., Calls 6759 Puts 5309

Ecu

■ ECU BOND FUTURES [illegible]

[illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Aug 24	Day's change %	Tue Aug 23	[illegible]	xd adj. ytd		Low coupon yield Aug 24	Aug 23	Yr. ago	Medium coupon yield Aug 24	Aug 23	Yr. ago	High coupon yield Aug [illegible]	Aug 23	Yr. ago
1 Up to 5 years (24)	119.37	+0.03	120.06	1.11	8.01	5 yrs	8.55	8.54	6.40	8.86	8.85	6.53	8.90	8.90	6.73
2 5-15 years (21)	136.72	+0.03	[illegible]	1.87	8.69	15 yrs	8.55	8.56	7.18	8.60	8.59	7.33	8.93	8.93	7.56
3 Over 15 years (8)	153.67	—	[illegible]	0.55	[illegible]	20 yrs	[illegible]	[illegible]	7.31	[illegible]	8.68	7.41	8.79	[illegible]	7.58
4 Irredeemables (6)	[illegible]	[illegible]	[illegible]	3.41	7.36	Irred.†	8.60	[illegible]	7.48						
5 All stocks (60)	[illegible]	[illegible]	[illegible]	1.40	[illegible]										

Index-linked							Inflation 5% Aug 24	Aug 23	Yr. ago	Inflation 10% Aug 24	Aug 23	Yr. ago
6 Up to 5 years (2)	185.66	[illegible]	185.55	0.58	3.85	Up to 5 yrs	[illegible]	3.64	2.56	2.53	2.52	1.75
7 Over 5 years (11)	[illegible]	+0.22	173.65	0.74	[illegible]	Over 5 yrs	3.76	3.77	[illegible]	[illegible]	3.68	3.11
8 All stocks (13)	174.36	+0.20	174.01	0.72	3.49							

Debentures and Loans						5 year yield Aug 24	Aug 23	Yr. ago	15 year yield Aug 24	Aug 23	Yr. ago	25 year yield Aug 24	Aug 23	Yr. ago
9 [illegible] & Loans (78)	127.47	[illegible]	127.10	2.10	7.40	9.68	9.72	7.81	[illegible]	9.65	[illegible]	9.66	9.59	8.32

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 24	Aug 23	Aug 22	Aug [illegible]	Aug 18	Yr ago	High*	Low*
Govt. Secs. (UK)	91.27	[illegible]	91.14	[illegible]	[illegible]	[illegible]	107.04	90.99
Fixed Interest	108.85	[illegible]	108.63	108.86	109.37	[illegible]	[illegible]	107.33

* for 1994. Government [illegible] since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Aug 23	Aug 22	Aug 19	Aug [illegible]	Aug 17
Gilt Edged bargains	78.0	93.1	89.8	84.7	96.0
5-day average	88.3	85.8	84.6	83.5	90.2

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 24

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	[illegible]	91⅞	+⅛	7.88
Alberta Province 7⅝ 98	1000	[illegible]	101⅛	+⅛	[illegible]
Austria 8½ 00	400	105	[illegible]	+⅛	[illegible]
Bank of Tokyo 8⅝ 96	[illegible]	[illegible]	102½	+⅛	6.72
Belgium 5½ 03	1000	[illegible]	[illegible]	+⅛	7.80
United Kingdom 7¼ 97	5500	[illegible]	101⅛		[illegible]
Volkswagen Intl Fin 7 03	1000	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 0 15	2000	20¼	20½	+⅛	7.76
World Bank 5⅞ 03	3000	[illegible]	88¾		[illegible]
World Bank 8⅜ 00	1250	[illegible]	[illegible]	-⅛	6.66
Abbey Natl Treasury 8 03 £	1000	91⅛	91⅞		[illegible]
Alliance Leics 11⅞ 97 £	100	108⅛	[illegible]	-⅛	[illegible]
British Land 8⅞ 23 £	[illegible]	[illegible]	88	-½	10.02
Denmark 6⅛ 98 £	800	[illegible]	89¾		8.75
[illegible] 10 97 £	687	[illegible]	[illegible]	-⅛	[illegible]
Halifax 10⅝ 97 £	100	[illegible]	[illegible]		[illegible]

[illegible]

UK GILTS PRICES

[illegible]

• "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

COMPANY NEWS: UK

Improved efficiency and housebuilding recovery fuel advance

Marley ahead sharply to £26m

By Andrew Taylor, Construction Correspondent

The prospect of a first dividend increase for three years was offered yesterday [illegible] shareholders of Marley, the building materials group, which announced pre-tax profits of £26m for the six months to the end of June – its best first half performance since 1989.

This compared with pre-tax profits of £13.2m during the first half of 1993.

The latest figures were inflated by a profit of £6.5m from the sale for £19.7m of Bisch Marley, the French clay tile producer.

Earnings per share before disposals rose from 3p to 4.5p. The group said it would be paying a maintained interim dividend of 2.1p.

Sir George Russell, chairman, added: "With higher profits now being achieved some increase in the final dividend for the year will be considered."

[illegible] spite of this, Marley's share price slipped 4p to 151p reflecting profit-taking and market concerns about rising polyvinyl chloride [illegible] slower growth in German building materials profits.

Prices of pvc – used for plastic building components – rose by about 15 per cent in the period, said Mr David Trapnell, chief executive.

[illegible] half profits had [illegible] boosted by [illegible] combination [illegible] improved efficiency [illegible] [illegible] UK [illegible] housebuilding, [illegible] had [illegible] [illegible] and prices [illegible] in the US and thermalite blocks in the UK. Concrete and clay operating profits more than trebled to £6.1m (£1.8m).

Profits from plastic plumbing, moulding and flooring products, employed later in the development cycle as buildings approached completion, remained little changed [illegible] (£14m).

Mr Trapnell, echoing comments made yesterday by WH Smith, said it was "surprising, [illegible] disappointing" that sales for repair, maintenance [illegible] DIY [illegible] had remained very [illegible]. [illegible] would normally be expected to rise at this stage of a recovery.

Trevor Humphries

David Trapnell: sales for repair and DIY work remained flat

Overseas profits, up from £12.1m to £13.9m, would have been higher but for a £1m reduction in South Africa, where the market had been distracted by the national elections. UK profits had increased by 81 per cent to £9.6m (£5.3m).

The company had continued to benefit from cost savings made in the early 1990s, with a further £800,000 of savings made at Marley Building Materials in the first half, said Mr Trapnell. Worldwide group operating profits had risen by 85 per cent to £28.5m.

● COMMENT

Marley, rightly, is reaping the benefit of its improved efficiency. Concrete and clay products traditionally do better during the early stages of a building recovery, and operating margins on continuing businesses rose by a fifth in the first half. Concerns rest more with its roof tile business, where competition has been intense, and slow progress in the repair and maintenance sector, which typically [illegible] "lighter" building products. The positives, however, outweigh [illegible] negatives and pre-tax profits of £47.5m for 1994 and £55m for [illegible] would place the shares on 13.5 times and 12 times earnings respectively. The shares look fully valued given that most of Marley's [illegible] already known.

Boards of utilities likened to pirates

By Nigel Clark

Directors of the privatised water and electricity supply companies were yesterday likened to pirates by Sir Anthony Beaumont-Dark, the former MP and chairman of TR High Income Trust.

"They control monopolies and give themselves huge increases in pay," he said. "They are like modern pirates pillaging their companies."

At his instigation TR High Income has adopted a policy of opposing three-year rolling contracts and "excessive rewards which appear to be unjustified by performance".

Sir Anthony added that his trust was small, but he hoped that others would follow suit. "It is the institutions which have the muscle to make sure this sort of thing is stopped."

TR High Income's assets totalled £27.8m at June 30 with its 10 largest investments including South West Water, British Gas, Northern Electricity and Southern Water. "They can all look forward to having their actions closely watched," said Sir Anthony.

He added: "What appals me most is not the rolling contracts, but directors who get huge increases despite the company making losses. And at the same time there are a lot of people who work damned hard and don't get paid anything like as much."

Sir Anthony made his comments as TR High Income Trust announced results for the half year to the end of June showing net revenue down from £825,000 to £789,000.

Earnings per share were lower at 3.11p (3.27p) reflecting reduced holdings of fixed interest securities. A second interim dividend of 1.5p (1.4p) is declared.

Net asset value per share at the end of June was 119.5p, against 144.5p at the December 31 year end and 120.9p a year earlier. The fully diluted figures were 116.4p, 137.2p and 117.5p.

Low oil prices reduce Monument to £3.4m

By Peggy Hollinger

Low oil prices hit Monument Oil & Gas, the independent explorer, which yesterday announced a 36 per cent fall in interim net profits from £5.3m to £3.4m.

Mr Tony Craven Walker, chief executive, said a 19 per cent fall in average oil prices to £10.17 a barrel was the main factor behind the 30 per cent drop in gross profits to £4.2m. Oil prices were also blamed for the 18 per cent fall in turnover to £14.1m for the six months to the end of June.

On the brighter side, Mr Craven Walker said the costs of developing Monument's 30 per [illegible] interest in Liverpool Bay were running about 10 per cent below budget. This meant that the group was currently funding its obligations from cash [illegible] Liverpool [illegible] expected to come on [illegible] by December 1995.

The declining profits masked a substantial contribution from asset disposals. A net £50.5m was raised from the sale of lossmaking North Sea assets to BP and the disposal of 3.9 per cent of Liverpool Bay.

Under full-cost accounting, these [illegible] are offset [illegible] the carrying cost of reserves in the balance sheet. As a result, Monument's depletion charge fell by 99p in the first half to £2.81 per barrel, largely due to the disposals and to a contract to sell gas in Argentina.

Mr Craven Walker said the lower depletion charge would benefit the group substantially when production began to take off next year. Production in the first half fell from 7,900 barrels of oil equivalent to 7,700 boe per day. Second-half production [illegible] lower, due to asset disposals.

Monument drilled [illegible] wells in the first half, none of which [illegible]. Farm-outs had kept the drilling costs [illegible], Mr [illegible] Walker [illegible]. The [illegible] aimed [illegible] drill 17 wells [illegible] half, mostly overseas.

As in previous years, there is no dividend. Earnings per share fell to 0.51p (0.8p).

■ COMMENT

Monument has [illegible] itself up nicely for [illegible] oil price environment. [illegible] of the high [illegible] low return [illegible] been sold, swapped or farmed out, leaving [illegible] with [illegible] balance [illegible] and exposure [illegible] interesting areas [illegible]. The big question [illegible] what [illegible] do now? Mr Craven [illegible] long [illegible] principle [illegible] crystallising value for shareholders. So far, this has been through a solid share price performance. Yet investors facing a quiet 18 months and no dividend will [illegible] for [illegible] thing [illegible], and Monument could well [illegible] within [illegible] year. The [illegible] tranche of Liverpool Bay [illegible] be a taster of what is to come. [illegible] net [illegible] of roughly £7m. [illegible] night's price of 70½p, [illegible] to [illegible] up with [illegible] until [illegible] becomes clearer.

Purchases help EFT show 41% upturn

By James Buxton

EFT Group, the Glasgow-based [illegible] company, increased pre-tax profits by 41 per [illegible] from £881,000 to £1.24m in the first half of 1994, on revenue up 17 per cent from [illegible] to [illegible].

Operating profits, before movements in bad debt provisions, increased 26 per cent [illegible]. Better-than-expected contributions from acquisitions and a substantial rise in non-interest income from asset [illegible] offset the [illegible] of tighter lending margins on new business.

New [illegible] volumes totalled £21m, up 13 [illegible]. Net [illegible] rose [illegible] per cent to £58.3m.

In June, EFT raised £2.56m via a placing and open offer, having agreed £13.5m in extra banking facilities. Mr Hamish Grossart, chairman, said the two [illegible] had substantially increased available funding [illegible] would allow [illegible] business [illegible] for [illegible].

The group was benefiting from the improved economic background and trading since the first half. He was confident of a very good result for the year as a whole.

In the second half EFT expects to benefit from its 60 per cent share of a bonus paid to Mr Peter Stevenson, its former executive chairman who became chairman of Mackays Stores in 1990. Last year EFT rejected an offer to buy out the bonus, payable in 1994 and 1995, for £650,000.

Earnings per share this time rose 44 per cent to 2.57p (1.79p). The interim dividend is increased to 0.525p (0.48p).

Caparo deal may soon get court approval

Caparo Group, [illegible] privately-owned UK [illegible] and engineering business, expects to win court approval in the next two weeks for its acquisition of Pennsylvania-based Sharon Speciality Steel, writes Tim Burt.

Mr Swraj Paul, the Anglo-Indian businessman who founded and chairs Caparo, said the group had given court officials details of its plans for the US group, which has been operating under Chapter 11 of the US bankruptcy code for more than a year.

"We are planning to spend $25m (£16m) on expanding the plant and talks are already taking place with the unions about re-employing the workforce," he said yesterday.

The move follows lengthy negotiations [illegible] creditors, who are understood to have welcomed the Caparo approach.

Victaulic bolstered by acquisitions

By Peter Pearse

Victaulic, the maker of pipeline products for the gas, water, construction and mining industries, lifted pre-tax profits 7 per cent in the first half of 1994, helped by input from acquisitions and higher overseas [illegible].

[illegible] profits rose to £6.2m [illegible] [illegible] turnover [illegible] per cent at [illegible] (£51.5m).

Mr David [illegible] director, explained that as the "long-standing, traditional, high-margin" business from British Gas had been reduced on the back of anti-monopoly regulation, so [illegible] group [illegible] picked up new [illegible] which, because of the learning curve, was lower margin.

Sales to the UK gas industry are now only 17 per cent of turnover, compared with 34 per cent in 1991. However, Mr Stewart said there had been no loss of market share.

[illegible] 1994 acquisitions made [illegible] profits of £400,000 on turnover of £3m, with Action Hose Couplings, acquired in 1993, accounting [illegible]. [illegible] has spent £11m on acquisitions since June 1993 and £16m since 1992.

At the period-end cash balances stood at [illegible] (£9.6m), leading to interest receivable of £300,000. Mr David [illegible] man, said the company [illegible] "[illegible] more cash than we can spend", though he added that the "strike rate on acquisitions is quite low". The group wants to expand in continental Europe, the UK and east Asia, though the latter would be with partners.

In April the company acquired [illegible] 51 per cent [illegible] in Blakeborough Valves in Singapore and Malaysia, which could open up sourcing [illegible] and new markets in east Asia, especially China.

[illegible] sales [illegible] 18 per cent to £14m – some 24 per cent of total [illegible]. Earnings worked through at 9.4p (8.8p) per share and the interim dividend is lifted 0.1p to 2.6p. The shares closed down 3p [illegible].

Equifax raises UAPT bid

By Simon Davies

Equifax, the US credit data group, yesterday fended [illegible] what would have been a terminal blow in its bid for UAPT-Infolink, by raising its offer for [illegible] company to [illegible] share.

Equifax is involved in a fight with Trans Union, its main [illegible] rival, for [illegible] hand [illegible] UAPT, [illegible] referencing company. An initial 500p bid was topped by [illegible] 550p offer from [illegible] Union, [illegible] Equifax hit back with a 600p offer.

However, the bidding war was complicated by the [illegible] Equifax owns a credit information [illegible] in [illegible] UK, [illegible] possible referral to the Monopolies and Mergers Commission by the Office of Fair Trading.

[illegible] Union, which [illegible] no UK operations, therefore won [illegible] recommendation.

The fight came to a head yesterday [illegible] a [illegible] of five institutions, representing 21 per cent of UAPT's shares, were about to accept the 550p [illegible] Union [illegible].

[illegible] favourably [illegible] price as low as 75p earlier this year.

Equifax has now persuaded those institutions to defer judgment until an OFT [illegible] made, in exchange for the offer of 650p [illegible] share.

In addition, the board of UAPT has agreed to rescind its recommendation of the Trans Union [illegible].

Trans Union's bid is due to close on August 31, but it can be extended. However, Trans Union has stated that it will under no circumstances raise [illegible]. [illegible] OFT will [illegible] the outcome. [illegible] expected shortly.

DIVIDENDS ANNOUNCED

		Current payment	Date of [illegible]	Corres - [illegible]	Total for year	Total last year
Dunedin Income	int	8.9	Oct 7	8.75	-	26.1
EFT	int	0.525†	Oct 31	[illegible]	-	1.5
Gartmore	[illegible]	[illegible]	Oct 24	-	-	-
Gibbs & Dandy	int	1.2	Oct [illegible]	1	-	2.5
[illegible]	int	1.25	Oct [illegible]	1	-	3.5
Jos	fin	3.825	Oct 14	3.025	12.25	11.65
Marley	int	2.1	Nov 4	2.1	-	4.2
Mayflower	int	0.5	Nov 18	0.45	-	1.35
[illegible] Docks	int	3.3	Nov 4	2.85	-	9
[illegible] Income	int	[illegible]	Oct [illegible]	1	-	4.9125
M&G Recovery	int	[illegible]	Sept 16	[illegible]	-	[illegible]
Parity	int	0.75	Nov 15	nil	-	1.5
Senior Eng	int	1.3†	Oct 17	[illegible]	-	[illegible]
Smith (WH)	fin	10.4†	Oct 21	9.9	15.4	14.2
Telegraph	int	5.5	Oct 12	5.5	-	13
Throgmorton 1000	fin	2.5	Oct 20	2.5	2.5	[illegible]
TR High Income	int	1.5☆	Oct 31	1.4	-	6
[illegible]	int	2.6	Oct 7	2.5	-	8

Dividends shown pence per share [illegible] except where otherwise stated. †On increased capital. ♥Second interim making 2p to date. [illegible] ☆Second interim making 3p [illegible] date.

PUBLIC WORKS LOAN BOARD RATES

Effective August 23

Years	[illegible] EPT	[illegible] AT†	[illegible] maturity	[illegible] EPT	[illegible] AT†	[illegible] maturity
1			[illegible]			[illegible]
Over 1 up to 2	6¾	6¾	7¾	[illegible]	[illegible]	[illegible]
Over 2 up to 3	7⅛	7⅛	[illegible]	[illegible]	[illegible]	[illegible]
Over 3 up to 4	7⅞	8	8¾	8	8⅛	8¾
Over 4 up to 5	8⅛	8¼	8⅝	[illegible]	8⅜	9
Over 5 up to 6	8⅜	8½	[illegible]	[illegible]	[illegible]	[illegible]
Over 6 up to 7	8⅝	8⅝	[illegible]	8¾	8¾	[illegible]
Over 7 up to 8	8¾	8⅝	[illegible]	8⅞	[illegible]	[illegible]
Over 8 up to 9	8¾	8⅞	9⅛	8⅞	9	[illegible]
Over 9 up to 10	8⅞	9	[illegible]	9	[illegible]	[illegible]
Over 10 up to 15	9⅛	9⅛	9⅛	9⅛	[illegible]	[illegible]
Over 15 up to 25	9⅛	9⅛	[illegible]	9½	[illegible]	9¼
Over 25	9	8⅞	[illegible]	9⅜	9¼	[illegible]

*Non-quota loans A are 1 per cent higher and non-quota loans [illegible] per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

COMPANY NEWS: UK

Senior Engineering edges ahead to £12.1m

By Tim Burt

Shares in Senior Engineering Group [illegible] fell 14½p to 123½p after the tubular products, ducting and thermal engineering company reported sluggish first half profits.

Although turnover grew from £182m to £196m, disappointing performances by the construction services and thermal engineering divisions contributed [illegible] pre-tax [illegible] £12.1m (£11.4m) in [illegible] six months to June 30.

Profits were also dented by a £634,000 loss on the disposal of two non-core [illegible] – Senior Engineering (Pty) and Senior Phoenix [illegible] – which were sold [illegible] £1.75m earlier this year.

Analysts, who had expected profits closer to £14m, said the falling share price reflected "some shock" at the figures.

Mr John Bell, chief [illegible]tive, admitted some parts of the business had suffered from falling sales, but expressed surprise at the market reaction.

"I'm really quite amazed. [illegible] been [illegible] in our thermal and construction businesses, but that has been more than offset by the success of the engineered products division."

Rising sales at Flexonics, the group's flexible tubes business, fuelled a 74 per cent increase in operating profits to £8.16m (£4.68m) in the engineered products division.

That performance was enhanced by a three month contribution from Metal Bellows [illegible] Berghofer, the two connector companies acquired for £18.6m [illegible] this [illegible].

Mr Bell underlined the importance of [illegible] division, which [illegible] per [illegible] the group's £13.2m (£11.9m) operating profits, by outlining plans to invest up to £28m in Flexonics over the next two years.

He also warned that it would [illegible] outperform the thermal engineering and construction services divisions, which both lost sales.

Profits in thermal engineering fell 23 per cent from £3.7m to £2.84m as orders faltered in both Britain and North America. Construction services – dominated by air distribution systems – suffered from a shortage of larger contracts and saw profits drop to £2.26m (£3.32m).

Earnings per share were unchanged at 3.24p and the group declared an increased interim dividend of 1.3p (1.26p).

● COMMENT

Senior's share price finally ran out of steam yesterday as 5.5m shares were traded. The short, sharp, shock dealt by the market may have been a bit harsh given the strength of its engineered products and the cyclical nature of the downturn in the other divisions. But if it persuades the management to use its £15.8m cash reserves to pursue new markets for thermal engineering and construction, rather than devote most of it to Flexonics, then it could serve as a useful warning. Full year profits are likely to exceed £28m, but on a forward multiple of 16.5 the shares look good value only as a long-term investment.

Sutcliffe Speakman parts company with chief executive

Sutcliffe Speakman is parting company with its chief executive in the wake of a disappointing performance [illegible] UK carbons activities, writes Katrina Lowe.

Mr Richard Mumford assumed the post of managing director and chief executive at the time of Sutcliffe's reconstruction in 1991. It is thought that [illegible] board over management style and his handling of the group's [illegible] business, where demand has been slack.

Mr Mumford was a specialist in the [illegible]ness. The company is engaged in activated carbon technology and environmental protection systems.

Mr Ernest Tyerman, chairman, said yesterday that the downturn in carbons sales partly reflected reduced bulk sales in the short-term.

He added that estimates that the problems could result in an [illegible] profits [illegible] in 1994-95 in the region of £200,000 [illegible] incorrect at present, but there was some time to go until the year end.

In the year to end-March Sutcliffe swung a £6.56m loss to profits of £1.1m pre-tax.

The shares fell 7p yesterday to 40p.

Out of the laboratory into the boardroom

Alan Cane on a company which is making a profit from the manufacture of DNA

Growth from technology

Making the complex biochemical that carries the genetic code is a profitable if prosaic business these days. Oswel, a commercial company based at, but separate from, Edinburgh University, has the process of manufacturing strands of DNA, the material of heredity, down to a fine art.

Customers are typically forensic science departments, teaching hospitals or biological laboratories. Orders are keyed into the company's computer network and, at the press of a button, one of Oswel's seven DNA synthesisers springs into life, conjuring up exactly what the customer ordered. The invisible strands of DNA in phials of water are packed in padded envelopes and sent out by ordinary mail.

What are the strands of genetic material used for? Biologists use them for experiments on the mechanism of inheritance; forensic scientists use them to identify tissues found at the scene of crimes. A method called the polymerase chain reaction uses Oswel's strands to turn tiny amounts of DNA into quantities large enough to analyse with ease.

The synthesis machines, costing £40,000 a time, run all day and sometimes through the night.

Professor Tom Brown, co-owner of Oswel with his wife Dorcas, emphasises [illegible] cal rather [illegible] biological nature of the synthetic [illegible] is, he [illegible] high quality, specialist chemicals, which happen [illegible] be fragments of the stuff of life.

Oswel (Oligonucleotide Service, Wellcome Trust), was established in 1986 with a £96,000 grant from the Wellcome Trust and £2,000 from the university. Prof Brown, with a broad background in the chemistry of the genetic code, was appointed director; he now holds a personal chair in chemistry at Edinburgh.

The aim was to offer a service to the university's world-renowned biological sciences departments, providing oligonucleotides – [illegible] fragments. Word of the quality of Oswel's products got around, however, and soon the unit was receiving orders from outside.

It was also intended to be self-financing. It advertises its services in scientific journals such as *Nature* and by direct mail and, since Prof Brown knows who is doing what in gene research, he is able to approach potential customers directly.

By 1992, it was clear that the unit would develop more effectively free from university bureaucracy, and Prof Brown and his wife bought the unit from the university.

The deal, one of the first management buy-outs from any UK university, was arranged with the aid of UnivEd Technologies, the university's commercial arm.

It cost £500,000, representing about £100,000 worth of equipment and £400,000 of goodwill, and in a gesture which Prof Brown describes as "enlightened", the university agreed the Browns could pay for the company out of profits.

Oswel has annual revenues of about £1m, representing some 20,000 orders, and is sufficiently profitable for Prof Brown to predict that they will have paid off the debt within three years.

Tom and Dorcas Brown: Oswel's success has meant moving into the commercial world

Oswel reckons it is the largest DNA synthesis unit in the UK. DNA machines can be bought off the shelf, but it requires skill and experience to run them efficiently. Many organisations these days prefer to order their fragments from commercial "gene factories" such as Oswel.

The chief competition is large US companies such as Genosys. Oswel has the advantage of a local presence and a reputation for quality products – a reputation it guards jealously. The DNA strands are monitored and analysed continuously during manufacturing, and a sample of each is stored in the laboratory's deep freeze in case of complaints.

The chief threat to the business would be price-cutting by the US houses; at £70 to £80 a sample, Oswel charges premium prices. Prof Brown argues, however, that quality is his customer's foremost consideration. Furthermore, a company which cut its prices would find it difficult to invest enough to sustain research and development.

Oswel grew 35 per cent last year, and Prof Brown believes it should be able to sustain growth of 20 per cent a year for the foreseeable future.

It has signed a distribution deal with the UK arm of the Applied Biosciences division of Perkin Elmer, the US company which supplies it with equipment and chemicals.

The next step is to move beyond the synthesis of DNA to DNA sequencing – determining the order of the chemical groups in DNA strands. Once the leading edge of gene research, this is increasingly yielding to automation.

Prof Brown looks set to reap the reward for the hard work he [illegible] will have put in over [illegible] past few years. The university, meanwhile, has seen its £2,000 investment turn into £500,000 in a decade and will continue to receive royalties on Oswel products.

Previous articles in this series appeared on August 10, 16 and 19.

NEWS DIGEST

S Daniels £244,000 in the red

S Daniels, a supplier to the food manufacturing and baking industries, reported a pre-tax deficit of £244,000 for the first half to June 30, which it attributed to "unprecedented competitive pressure" and rationalisation costs.

The company had forecast a loss for the period at its annual meeting in May. The previous first half saw a pre-tax profit of £25,000.

Sales expanded by 15 per cent to £19.1m (£16.7m), but the group said all divisions had experienced intense pressure on margins, particularly the bakery ingredients business of Khuman & Balter.

In addition, start-up costs were carried in connection to a [illegible] depot [illegible] relocation [illegible] the beverage packing facility.

[illegible] exceptional item [illegible],000 reflected the rationalisation of the head office and the raw materials division, which was expected to benefit the second half.

Losses per share were [illegible] against earnings of 0.3p.

Coal Investments takes Scottish stake

Coal Investments has acquired a 20 per cent stake in Mining (Scotland), by exercising an option [illegible] acquire from Edwards Energy its 40 per cent shareholding in The Consortium Coal Company, which owns half of Mining (Scotland).

Edwards Energy is owned and controlled by Mr Malcolm Edwards, chairman of Coal Investments. The company is to allot 64,054 shares to Edwards Energy in settlement of the £60,000 consideration.

Coal Investments will also assume responsibility for a funding call made by Mining (Scotland), under which £20,000 is payable to Mining (Scotland) for a further issue of shares. This issue will maintain Coal Investments' interest at 20 per cent.

Mining (Scotland) [illegible] formed [illegible] bid for all British [illegible] in Scotland.

Gibbs & Dandy up to £425,000

Against a background of fierce competition, sales at Gibbs & Dandy, the builders' merchant, rose by 5 per cent to £11.9m and pre-tax profits climbed from £292,000 to £425,000.

Mr John Dandy, chairman, said the sales trend had continued and reflected the tentative recovery in the construction industry.

Earnings per share advanced from 2.5p to 4.6p.

The interim dividend is raised to 1.2p (1p) and a final of at least 1.8p (1.5p) is forecast.

[illegible] assets slip to 227.24p [illegible] Jos

[illegible], a split capital investment trust, reported a [illegible] value [illegible] capital share of [illegible] July [illegible] year end, against [illegible] months earlier and 217.29p [illegible] end-July 1993.

[illegible] revenue amounted to [illegible] to [illegible] per income share, and a final dividend of 3.625 makes a total of [illegible] for the [illegible]

Brent Walker [illegible] £2.75m disposal

Brent Walker has completed the sale to Stakis of the Bath Hotel and Thimble Mill restaurant at Widcombe Basin, Bath, Avon, for £2.75m cash.

During 1993, the hotel incurred an operating loss.

Proceeds will be used to reduce group borrowings.

P&P rights issue 93.9% subscribed

A £8.6m rights issue by P&P, the computer services company, was 93.9 per cent taken up.

Acceptances were received for 14.1m new shares at 60p apiece. The proceeds will be used to help fund the £18m purchase of QA Training, a computer training concern.

Throgmorton 1000 lifts net assets 20%

Throgmorton 1000 Smallest Companies Trust raised undiluted net asset value by 20 per cent, [illegible] 118.4p to [illegible] in the 12 months to June 30 1994.

This compared with a 6.6 per cent increase in the FT-SE SmallCap index (excluding investment trusts) during the same period.

At the end of July, the figure had edged ahead to 143p.

Net income for the year came out at £784,000 (£1.06m for 64 weeks) and earnings per share were 2.17p, against 3.29p.

The single final dividend is again 2.5p.

Applied Distribution buys assets for £1m

Applied Distribution, the contract distribution business which came to the market in March, has bought the distribution assets of Sara Lee's UK household and personal care division for £1.06m.

The company is to take over [illegible] the division from September [illegible]

Better European outcome offsets fall in North America following increase in costs

Invesco at £18.7m as margins improve

By Alison Smith

Invesco, the international fund management group, yesterday reported flat interim pre-tax profits as [illegible] improved European contribution offset a decline in North America.

Mr Charles Brady, chairman, said the group felt it could afford to raise the interim dividend by 25 per cent to 1.25p because it had strengthened its balance sheet and increased its profit margins.

Pre-tax profits for the six months to the end of June were £18.7m, against £23m which included exceptional profits of £4.04m. However, Mr Brady pointed out they were a significant improvement on last year's second half figure.

Earnings per share were 5.3p (5.4p).

He said it was a satisfactory performance given market conditions during the first-half. Funds under management slipped from £43bn to £42bn.

In North America a rise in income to £62m (£56.7m) was more than [illegible] by an increase in costs to £41.8m (£35.1m). The resulting pre-tax profit was £20.7m (£23.1m)

Mr Brady said this [illegible] significant investment in administrati[illegible] [illegible] for defined contribution retire[illegible] plans for individual employees. This was a expanding area of business, but one in which the profits would not show through until next year.

The [illegible] continuing [illegible] ation of [illegible] European operations. [illegible] £22.6m (£23m) but costs fell more sharply from £21.9m to £19.8m to give a pre-tax profit of [illegible] (£3.7m).

Mr [illegible] Riddell, chief [illegible] Europe, [illegible] he expected staffing of the [illegible] pean operation to fall further to fewer than 400 by the end of 1995, against 500 at the start of last year.

He said that retail [illegible] in the UK had been recovering earlier than he had expected, and that business in France [illegible] Europe [illegible] growing. [illegible] remained UK pension fund business.

In the Pacific operation, income rose to £4.93m (£4.29m) but costs rose more steeply to £5.4m (£4.47m) as the region was formally set up and management strengthened.

● COMMENT

Depending on which measurement you take, Invesco looks on the expensive si[illegible] sector, or a bit undervalued. On a prospective p/e of 15.5 to 16, it is above the sector average. Yet Invesco is among the cheapest stocks measured by [illegible] as a [illegible] of funds under management. Invesco's performance will continue to depend critically on market conditions and its ability to wring more profits from its funds under management. There are some encouraging signs in the European cost-cutting and in the profits which should come through from the US personal pensions business. Invesco's recovery phase is not yet over, [illegible] the results seem reassuring [illegible] than [illegible]

FT-SE 100 fall cuts funds at Gartmore

By John Gapper, Banking Editor

Gartmore, the UK-based fund management company 75 per cent owned by Banque Indosuez, yesterday reported a £1bn drop in funds under management to £20bn in the first half of the year because of falls in bond and equity markets.

It declared its first post-flotation dividend [illegible] 1.75p, payable from earnings per share of 5.7p (3.5p). Profit before tax for the six months rose by 55 per cent to £17.5m, with revenue rising by 39 per cent to £41.8m.

Gartmore attracted net new funds under management of £1.4bn, of which £600m came from pension funds. However, funds fell by £1bn – or 5 per cent – from the end of last year after a 15 per cent decline in the FT-SE 100 Index in the period.

Mr Paul Myners, chairman, said he remained confident that Gartmore had the expertise and ambition to achieve progress and grow its profits at a satisfactory rate over the long term "subject to the impact of movements in markets".

The rate of growth in net new funds was slower than last year, when Gartmore attracted £4.2bn in funds. Mr Andrew Brown, finance director, said the company had warned then that such an "exceptional" growth rate was unsustainable.

The interim dividend cost £3.53m of attributable profit of £11.4m (£7m). Mr Brown said that this level of cover was not a guide to dividend policy, and [illegible] expected to maintain dividend cover of about two times in the long-term.

Its funds came mainly from UK pensions, with £15.3bn from that source compared with £16.4bn [illegible] the end of 1993. Some [illegible] was from unit trusts and offshore funds, £1bn from [illegible] ment trusts, and £2.05bn from overseas clients.

Mr Brown said that there had been strong growth in unit trusts and offshore business. He said that, having started by establishing a strong UK business, overseas fund management was becoming "a very interesting market for us".

Mr Philip Gibbs, an analyst at Barclays de Zoete Wedd, said he estimated that funds under management had now risen to £22bn, and that management fees were likely to improve in the second half. The shares closed 6p down at 173p.

● COMMENT

Gartmore was bound to slow down after its growth of last year, and the fall in markets made the halt abrupt. Business still appears strong, despite a 32 per cent rise in expenses from taking on staff. Revenue should grow in the [illegible] half, but it must fight to keep the momentum [illegible] the lo[illegible] term. With earnings per share of 12p expected for the year, the shares are trading on a multiple of 14.5 – not expensive for a company with a healthy, if short, record of growth.

Medway behind 78% leap at Mersey Docks

By Simon Da[illegible]

Mersey [illegible] and Harbour, [illegible] second-largest port group, yesterday announced a 79 per cent increase in interim pre-tax profits from £8.86m to £15.9m, reflecting the impact of the recently-acquired Medway Ports.

Profits from the Port [illegible] Liverpool continued to surge in the six months to June [illegible], recording a 17 per [illegible] advance, while [illegible] contributed close to £6m.

Medway, acquired for [illegible] last September, ha[illegible] [illegible] by difficulties. Three [illegible] Medway's [illegible] resigned, and it has lost both the Olau Line's ferry [illegible] and the import/export contract for Toyota cars.

However, Mr Trevor Furlong, managing director, said the management vacuum had been satisfactorily filled and Medway's profits were in line with forecasts [illegible] acquisition.

Overall, Mersey achieved a 37 per cent increase in turnover, from £44.8m to £61.5m.

[illegible] Port of Liverpool suf[illegible] from a [illegible] in throughput in coal [illegible] steel, but [illegible] throughput [illegible] 13.6m tonnes, marginally higher [illegible] in 1993.

The company won new business from ABC Container lines and [illegible] Maritime/OOCL, which [illegible] more than [illegible] from two [illegible]

In [illegible] through-put [illegible] high, with 177,000 [illegible] handled in the first half of the year. Toyota [illegible] estimated [illegible] account for about [illegible] units a [illegible] and Mr Furlong [illegible] confident [illegible] a replacement [illegible] could be won.

The [illegible] Olau [illegible] partly replaced by Mersey itself, which [illegible] chartering [illegible] ships [illegible] provide [illegible] own [illegible] vice [illegible] Netherlands. This service [illegible] currently being expanded.

The company [illegible] in [illegible] half in new [illegible] warehousing, and will spend [illegible] £20m [illegible] the full year, including substantial [illegible] head.

[illegible] borrowings totalled £24.5m, amounting to gearing of 15.5 per cent.

The interim dividend is lifted from 2.85p to 3.3p, a rise of 16 per cent. Earnings per share [illegible] by 31 [illegible] from [illegible] to 11.72p.

Trevor Furlong: management vacuum successfully filled

● COMMENT

Mersey [illegible] fifth [illegible] double digit profits, and [illegible] demonstrated that teething problems at Medway have not hurt its growth trend – operating profit margins [illegible] port [illegible] were [illegible] cent. With a high proportion [illegible] fixed costs, any new business will feed through rapidly into profits, and although competition [illegible] the ports [illegible] intense, Mersey [illegible] ability [illegible] win new custom. Analysts expect pre-tax profits of £24m for the year, putting the shares on a p/e of 18. Current growth trends and the management track record fully justify this premium.

NEWS DIGEST

Tesco claims over 58% of Wm Low

Tesco claims to have received acceptances to its revised offer for Wm Low in respect of 31.1m ordinary shares, representing 58.11 per cent.

Acceptances for the convertible preference offer had been received for 16.1m shares or 49.77 per cent. Of the acceptances, 33.52 per cent of the ordinary offer and 39.17 per [illegible] the preference [illegible]

Emap acts to meet industry rules

Emap, the media concern, has [illegible] City to Radio City 1994, a holding company [illegible] equally by Emap and Schroders, its merchant bank.

The move ensures that Emap complies with industry regulations following its acquisition [illegible] World Communications, the [illegible] local radio group. [illegible] £71m deal raised the number of radio [illegible] held by Emap [illegible] - [illegible] more [illegible] permitted.

Consequently Emap and [illegible] up [illegible] holding company to allow two of the licences to be "warehoused". Radio City operates two local radio services - City FM and Radio City Gold in Merseyside.

Consideration for Radio City [illegible] £15m of unguaranteed interest bearing loan stock, to be retained by Emap.

Costain in early pref redemption

Costain Group is to redeem, at the full issue price of £5,000 each, the outstanding 7.5 per cent guaranteed redeemable convertible preference shares 2003 issued by Costain Finance.

The early redemption reflects the board's belief that administrative costs to comply with the terms of the issue are disproportionate to the outstanding number and value of the shares.

Latin American net asset value falls 10%

Latin American Investment [illegible] 10 per cent to \$2.34 (150p) per share at June 30, against \$2.62 at December 31 and \$1.89 a year earlier.

The fully diluted figure was \$2.09, compared with \$2.22 and \$1.74 respectively.

Attributable revenue dropped from \$804,000 to \$39,000 for [illegible] six months, leaving earnings [illegible] 0.05 [illegible] (1.07 cents).

Majedie Investments to raise £15m

Majedie Investments, the self-managed trust which concentrates on listed investments, plans to raise £15m through the issue of debenture stock due 2020. Interest will be paid on March 31 and September 30, with the first payment on March 31 1995.

Newmarket Venture distribution soon

The joint liquidators of Newmarket Venture Capital intend to make a first distribution of about 36p a share in about six weeks time.

Losses for the 7 months to August 1 were £80,000 and net assets at that date totalled £20.8m or 58p a share.

Dunedin Income Growth revenue up

Dunedin Income Growth Investment Trust yesterday declared an interim dividend of 8.9p, up from 8.75p, as earnings per share for the six months to July 31 rose from 13.72p to 15.24p.

Net revenue after the preference dividend improved to £4.88m (£4.35m).

The trust said, however, that the earnings growth reflected the timing of dividend payments and was unlikely to be repeated in the second half.

Net asset value at the period end was 656.4p per share, down more than 16 per cent on the December figure of 784.6p.

James Smith buys business park

James Smith Estates is paying £1.3m cash for a long leasehold interest in the Alpha Business Park, Ipswich, Suffolk. The park consists of 12 business units totalling 15,000 sq ft and a 21,300 sq ft industrial unit.

US consortium ups Learmonth Burchett stake

Learmonth & Burchett Management Systems, the USM-quoted computer services company, is acting to ensure that a greater proportion of its capital is held by US investors.

Mr Roger Learmonth and Mr Rainer Burchett are selling shares and, with their families and related trusts, granting options to a US consortium led by Bessemer Venture Partners III which will increase its holding to 19.4 per cent.

The consortium is being offered 975,000 shares at 85p and options on a further 1.03m at the same price. The deal will leave Mr Burchett with a holding of 16.6 per cent and Mr Learmonth with 11.3 per cent. The shares were unchanged yesterday at 94p.

The move follows a rights issue, underwritten by the consortium, which left it with a 10.2 per cent stake. "This was considerably less than they had hoped for," said L&B, which wants to increase its US shareholders as it moves its focus across the Atlantic.

CSS helps Parity rise to £2m

By Alan Cane

Parity, formerly Comac, [illegible] information technology [illegible] agency and [illegible] group [illegible] by Mr Philip Swinstead, improved pre-[illegible] substantially in the first six months, in line with the company's predictions.

Pre-tax profits [illegible] from £60,000 to [illegible], while turn[illegible] to [illegible] (£5.3m). The interim dividend [illegible] restored at 0.75p.

The improvements reflected the contribution of [illegible] Trident, the contract staff agency acquired last year. The combined group is the UK's largest supplier of contract IT professionals in the UK.

Since June the group has strengthened its consultancy side with the acquisition of the UK consultancy business [illegible] LBMS and the [illegible] training company.

Earnings per share were [illegible] doubled [illegible] 3.54p (1.8p). The [illegible] net [illegible] ances of £4.8m (£700,000).

Yesterday the shares rose 12p to 129p. Analysts upgraded [illegible] for pre-tax profit for [illegible] full [illegible] to £4m.

Mr Swinstead said payment of an interim dividend, omitted [illegible], reflected [illegible]nfidence in second-half trading.

Mr Billy Carbutt, chairman, said the group was trading well in the second half of the year: "The IT agency industry is restructuring and agencies are achieving good penetration of the quality end of the IT staff resourcing market, previously the domain of the established software houses."

NEWS IN BRIEF

ELECO HOLDINGS has sold [illegible] distribution subsidiaries for a total of £1.38m which Eleco will initially [illegible] reduce bank borrowings. The loss on disposal [illegible] about [illegible]

KISH RESOURCES [illegible] requested temporary suspension of dealings in [illegible] pending clarification [illegible] financial position.

MAGNOLIA GROUP has sold a [illegible] in Northamptonshire for £825,000 against a book value of £850,000.

SIMON ENGINEERING has sold its interest in the seismic data acquisition vessel, Simon Labrador, to Horizon Exploration by way of a sub-demise of the lease.

TRINITY INTERNATIONAL Holdings intends to repay and [illegible] 200,000 5 per cent cumulative preference stock units in [illegible] simplify [illegible] capital structure.

COMMODITIES [illegible] AGRICULTURE

Copper and aluminium lead rise in LME prices

By Richard Mooney

[illegible] metals prices showed signs [illegible] shaking off the summer holiday blues [illegible] the London Metal Exchange yesterday. As traders looked forward [illegible] a pick-up in demand with the return of northern hemisphere metal consuming industries to full operation all LME [illegible] tracts made ground, [illegible] of them quite substantially.

Copper, the exchange's flagship contract, led the [illegible], building [illegible] Tuesday's after hours rally with [illegible] further [illegible] rise to [illegible] at $2,417.50 a tonne for the [illegible] months delivery position.

Traders told the Reuters news [illegible] that copper still had [illegible] fair amount [illegible] work to [illegible] around [illegible], but with New York Commodity Exchange (Comex) [illegible] falling and [illegible] premiums narrowing (indicating a tightening [illegible] nearby availability) they expected [illegible] challenge to be [illegible] soon.

Aluminium [illegible] also strong, breaking [illegible] $1,508 [illegible] tonne for [illegible] months metal and moving [illegible] at $1,518.50, up [illegible] on the day, before adding a few more dollars in after hours trading. The early rise, prompted by trade buying, was fed by short-covering, traders told Reuters. And with technical factors [illegible] structive speculative activity was encouraged, notably from the investment funds [illegible] buying and selling has [illegible] so influential [illegible] the metal markets over the past year.

Nickel's advance accelerated meanwhile, the three months position adding $85 to reach $5,912 a tonne by the close and pushing forward to $5,935 after hours. Traders noted that the market, already nervous about the possibility of a strike at Falconbridge of Canada should labour talks there fail, responded to [illegible] by Sumitomo [illegible] Japan [illegible] a [illegible] rise in 1994-95 in demand for [illegible]. Stainless [illegible] producers are big [illegible] nickel.

Lead and [illegible] were [illegible] to join in the fun, aided by [illegible] pects [illegible] rising physical demand and, eventually, lower production [illegible] reduced [illegible] supplies. Three months [illegible] $10.50 [illegible] a tonne, while zinc was [illegible].

■ European primary aluminium output fell by between [illegible] and 8 per [illegible] in May and June as multilateral production cuts took [illegible], according [illegible] the European Aluminium Association, reports Reuters from Brussels.

"The present [illegible] on an annual basis would amount [illegible] almost 8 per cent, which could become even higher in [illegible] coming months," [illegible] an advance copy of its quarterly report.

Output totalled 247,917 [illegible] in June, down 7.1 per cent [illegible] a [illegible] tonnes in [illegible], [illegible] 7.7 [illegible] cent, [illegible] tonnes in April, down 3.2 per cent.

European primary aluminium output fell 4.1 per cent to 1.56m [illegible] during [illegible] first half [illegible] 1994, compared with the corresponding period of 1993.

Under [illegible] memorandum [illegible] understanding in March [illegible] world's leading aluminium producers agreed [illegible] output by 1.5m to 2m tonnes a [illegible] to help [illegible] ply [illegible].

The EAA data [illegible] the 12 European [illegible] and Turkey.

Zimbabwe's $225m platinum deal signed

By Tony Hawkins in Harare

The largest foreign investment in Zimbabwe for a quarter of a century was given the go-ahead yesterday when the government signed a mining agreement with BHP Minerals and Delta Gold of Australia to develop the Hartley platinum project.

The total cost of the project, estimated to contain the largest undeveloped resources of platinum group metals outside South Africa, will be US$225m. The mine, in which BHP will have a 67 per cent stake and Delta Gold 33 per cent, will employ 2,700 people, including 100 expatriates.

Underground development [illegible] next month with the first ore being mined late in 1995. This will be stockpiled until processing facilities are completed late in 1996. At full production in 1997 the mine will process 2.16m tonnes of ore annually, to produce 150,000 troy ounces of platinum 110,000 ounces of palladium, 23 000 ounces of gold and 11,500 ounces of rhodium. Hartley will [illegible] produce about 3,200 tonnes of nickel and [illegible] tonnes [illegible] copper. It has [illegible] reserves sufficient for a 20-year mine life with the potential to double production [illegible] a later date.

The mine agreement signed yesterday signals a new regime for major investment projects worth more than $100m. Zimbabwe's Minister of Mines, Mr Edison Zvobgo, said the agreement [illegible] guaranteed investors security of tenure and stability of fiscal terms.

Although little was said about the controversial issue of marketing, it seems the Zimbabweans have agreed to [illegible] BHP to market the platinum-group metals directly rather than going though the state-owned Minerals Marketing Corporation of Zimbabwe. Gold will [illegible] sold by [illegible] Reserve [central] Bank of Zimbabwe, but the nickel and copper will be handled by the MMCZ. This concession is an important one and could [illegible] other major investors to Zimbabwe.

On-site facilities [illegible] Hartley will include the mill, a concentrator, smelter and base metals refinery. The refinery will produce nickel and copper cathodes while platinum-group metals will be toll-refined in Europe. The promoters [illegible] the mine will be a low-cost producer, with unit costs [illegible] about [illegible] putting it below South African producers like Rusplats and Northam and on a par with Lonrbo, but substantially more expensive than Pprust.

Speaking at yesterday's official signing ceremony with the government, [illegible] Vanderspuy of Delta Gold predicted [illegible] by the turn of the century, a number [illegible] platinum projects producing 600,000 ounces annually would have been established on the Hartley complex and [illegible] would become the [illegible] second largest platinum producer, after South Africa, accounting for some [illegible] per cent of global output.

Mr Vanderspuy predicted also that platinum would earn double the foreign exchange provided now by [illegible] tobacco industry [illegible] could [illegible] investment in downstream activities [illegible] as the manufacture of exhaust catalysts for the motor [illegible].

Anglo expects to go ahead with Mali gold mine

By Kenneth Gooding, Mining Correspondent, in Johannesburg

Anglo American Corporation of South Africa's two year search for suitable gold projects in West Africa has paid off and the group expects to give the go-ahead in October to a US$210m mine in Mali.

The Sadiola project in the far west of the country, near the border with Senegal, is likely to come into operation in 1997 and produce between 10 and 12 tonnes of gold a year, according to Mr Neville Keys, project director of Anglo's new mining business division.

Anglo has been widening its search for African gold as nearly every metre of prospective land in South Africa has been explored and drilled by domestic companies unable to move freely abroad because of exchange controls.

Modern exploration techniques [illegible] merely proved that the old prospectors [illegible] very little [illegible] discovered.

In [illegible] Anglo [illegible] exploring [illegible] in [illegible] Faso, Guinea [illegible] Senegal, where there [illegible] been relatively little mining activity in the past – Mali has only one other gold mine, the Syana, operated by BHP of Australia.

Mr Keys said the Adiola, an open pit mine, would have a life of at least 14 years but he believed there was much more gold to be discovered there.

Final stages of the financial arrangements were being put together but it was expected that Anglo would have 38 per cent of the project and operate the mine. The private Canadian company that discovered [illegible] deposit, Ima Gold, would [illegible] 38 [illegible] the government [illegible] Mali 18 per [illegible] and the International Finance Corporation, the investment arm of [illegible] World Bank, 6 per cent.

● There [illegible] an interesting [illegible] of opinion about the gold market's prospects between [illegible] Clem Sunter, chairman of Anglo's gold and uranium division, and Mr Jim Buys, the group's senior economic consultant.

While both agree that the present gold price is well supported by physical demand and cannot be expected to go much lower, Mr Buys suggests the price is unlikely to rise much in real terms unless there is another burst of speculative interest of the kind seen last May and June, when the market was given a boost by the well publicised [illegible] of [illegible] anciers [illegible] Goldsmith and Mr [illegible].

He [illegible] there will [illegible] no surge in world inflation to give gold a lift because governments are giving top priority to keeping inflation down.

Mr Buys argues that if the gold [illegible] at about $380 [illegible] troy [illegible] in real terms [illegible] the next ten [illegible] South Africa's annual gold production [illegible] about 610 tonnes can be expected to fall by twenty per cent.

Mr Sunter, however, is much more optimistic. He says Anglo's gold division hopes to see a gradual rise in the gold price to take it to $450 an ounce in real terms by the end of the century. He [illegible] "a realistic [illegible]" [illegible] gold producers [illegible] resilience in [illegible] and [illegible] when many [illegible] seemed [illegible] facing closure because of low gold prices but [illegible] by cutting costs. He [illegible] be surprised [illegible] see South Africa's gold output [illegible] in the 580 to 600 tonnes [illegible] many years to come.

On the question of the relatively poor stock market ratings of South African gold companies compared to rivals in [illegible] America, Mr [illegible] he expects that other South [illegible] producers [illegible] recently [illegible] by Gencor, which [illegible] an estimate [illegible] "life [illegible] gold" so that this [illegible] compared [illegible] reserve figures quoted [illegible] North American [illegible]. Mr Sunter says Anglo will probably give [illegible] of [illegible] based on [illegible] Rand gold prices.

Zinc smelters face feed shortage

Zinc [illegible] major uncertainty [illegible] the next 10 [illegible] in securing [illegible] supplies due to [illegible] unprecedented number [illegible] mine closures, according [illegible] metals industry analysts Brook Hunt [illegible] Associates, reports Reuters.

Its [illegible] market [illegible] miners' [illegible] by low metal prices [illegible] high [illegible] charges had [illegible] in 17 mines, [illegible] a [illegible] capacity [illegible] 500,000 tonnes of [illegible] in concentrate, were [illegible]. And it [illegible] the closure before [illegible], [illegible] of reserve depletion, of another 58 mines [illegible] an [illegible] capacity [illegible] 1.9m [illegible].

The magnitude [illegible] mine closures meant that only 18 out of 54 primary zinc smelters had adequate [illegible] from mines now in operation, the report said.

[illegible] Hunt suggested [illegible] the industry needed an additional 1.3m tonnes a year of contained zinc from new mine production to [illegible] requirements [illegible] existing smelters [illegible].

It also needed [illegible] for [illegible] 1.2m tonnes [illegible] capacity required [illegible] satisfy [illegible] market demand of [illegible] tonnes of [illegible] zinc. New [illegible] projects, [illegible] and [illegible] might add 2.5m tonnes, [illegible] Hunt said, but start-up [illegible] be influenced by ruling metal prices.

Over-production [illegible] since 1990 was forecast [illegible] push total stocks to 1.8m tonnes by the end of this [illegible], fuelling [illegible] extended period [illegible] zinc prices. That could [illegible] mine [illegible] the start-up of [illegible] mine capacity.

Lower mine supplies would [illegible] prompt [illegible] competition in [illegible] enlarged by [illegible] in [illegible] and Thailand [illegible] the depletion [illegible] local [illegible].

Smelters in Canada, Australia and [illegible] would lose [illegible] from [illegible] in the [illegible] years which, directly [illegible] indirectly, would [illegible] availability to the [illegible] market.

MARKET REPORT

London coffee futures lose early gains as rally boils over

London COFFEE futures ended broadly unchanged after a volatile afternoon marked by speculator and trade buying as well as technical selling and some [illegible] liquidation, [illegible].

The market, which was [illegible] dicted to open $57 higher in the November position following gains amounting to $250 earlier [illegible] the week, was slightly firmer [illegible] during the afternoon it [illegible] day's [illegible] of $3,650 a tonne to [illegible] $3,530.

[illegible] close it [illegible] $3,573.

The London bullion market GOLD price broke through its previous resistance area [illegible] $383 a troy [illegible] in early [illegible] good buying from the New York commission [illegible] spilled [illegible] into Europe. It closed [illegible] $384.25 an ounce, up $2.25.

Dealers were restrained in their enthusiasm, however. "There's very little physical interest around on gold at [illegible] ent, so I can't see this rally lasting," [illegible].

SILVER, underpinned by [illegible] move, [illegible] through [illegible] to [illegible] high [illegible] an ounce [illegible] selling.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1487.5-8.5	1518-9
Previous	1459-61	1489-91
High/low	1490	[illegible]
AM Official	1480-1	1511-12
Kerb close		1524-5
Open int.	272,637	
Total daily turnover	52,793	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1550-55	1570-5
Previous	[illegible]	1550-55
High/low		1575
AM Official	1550-60	[illegible]
[illegible] close		1570-80
Open int.	2,551	
Total daily turnover	363	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	[illegible]	594-4.5
Previous	565.5-6.5	[illegible]
High/low		599/588
AM Official	571.5-2.0	589-9.5
Kerb close		598-9
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	[illegible]	[illegible]
Previous	[illegible]	5825-30
High/low	5850	5955/5840
AM Official	5854-55	5935-40
Kerb close		5938-45
Open int.	55,528	
Total daily turnover	11,095	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5205-15	5285-90
Previous	[illegible]	[illegible]
High/low		5300/5265
AM Official	5195-205	5275-80
Kerb close		5300-10
Open int.	17,389	
Total daily turnover	8,504	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	957.5-8.5	982-3
Previous	[illegible]	[illegible]
High/low	945	988/969.5
AM Official	[illegible]	969-9.5
Kerb close		987-8
Open int.	99,470	
Total daily turnover	[illegible]	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2407-8	2417-8
Previous	2370-1	2385-6
High/low	2398/2396.[illegible]	[illegible]
AM Official	[illegible]	[illegible]
Kerb close		2414-15
Open int.	211,765	
Total daily turnover	52,8[illegible]	

■ LME AM Official £/$ rate: 1.5521

LME Closing £/$ rate: 1.5555

Spot:1.5538 3 mths:1.5520 6 [illegible] [illegible]

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
[illegible]	110.10	+2.10	110.10	109.60	144	64
[illegible]	109.55	+2.00	110.05	108.10	16,216	2,888
Oct	109.40	+1.80	109.70	108.50	812	8
Nov	109.20	+1.55	109.50	108.30	552	2
Dec	109.50	[illegible]	110.00	[illegible]	19,810	[illegible]
Jan	109.20	+1.55	108.20	108.20	378	-
Total					[illegible]	5,646

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by [illegible] Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	384.00-384.50	
Opening	381.40-381.80	
Morning fix	382.60	246.600
Afternoon fix	383.90	247.279
Day's High	384.60-384.90	
Day's Low	380.85-381.25	
Previous close	[illegible]	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.29	6[illegible]	4.52
2 months	4.31	12 months	4.88
3 months	4.33		

Silver Fix	p/troy oz.	US cts equiv.
Spot	335.70	521.35
3 months	340.10	527.55
6 months	345.10	534.55
1 year	358.05	550.95

Gold Coins	$ price	£ equiv.
Krugerrand	[illegible]	249-252
Maple Leaf	[illegible]	-
New Sovereign	89-92	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls; $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

SOFTS

■ COCOA LCE (£/tonne)

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

■ LIVE HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lb)

LONDON TRADED OPTIONS

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Oct)

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Gas Oil	$150-151	[illegible]
Heavy Fuel Oil	$75-77	-
Naphtha	$156-158	+2
Jet [illegible]	[illegible]	+1

Petroleum Argus assessments

■ OTHER

Gold (per troy oz)♣	[illegible]	[illegible]
Silver (per troy oz)♣	526.5c	+4.0
Platinum (per troy oz.)	$410.75	-1.00
Palladium (per troy oz.)	[illegible]	-1.00
Copper (US prod.)	112.0c	
Lead (US prod.)	37.75c	
Tin (Kuala Lumpur)	13.11m	+0.05
Tin (New York)	244.0c	+1.5
Cattle (live weight)†©	117.24p	-3.11*
[illegible] (live [illegible])	90.32p	+1.82*
Pigs (live weight)©	78.49p	+0.05*
Lon. day sugar (raw)	$306.70	-1.80
Lon. day sugar (wte)	$346.70	-0.30
Tate & Lyle export	£310.00	-1.00
[illegible] (Eng. feed)	£107.5w	-0.5
Maize (US No3 Yellow)	$140.0	
Wheat (US Dark North)	£180.0	
Rubber (Sep)♥	90.25p	-0.75
Rubber (Oct)♥	89.25p	-0.75
Rubber KL RSS No1 Aug	324.00m	
Coconut Oil (Phil)§	$595.0z	-17.5
Palm Oil (Malay.)§	$605.0w	-7.5
Copra (Phil)§	$415	
Soyabeans (US)	£167	
Cotton Outlook 'A' Index	75.50c	+0.45
Wooltops (64s [illegible])	448p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Oct. z Sep/Oct. w Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♦ Sheep (Live weight prices). * Change on week. © Prices are for previous day.

Cotton

Liverpool- Spot and shipment sales amounted to 211 tonnes for the week ended 19 August against 193 tonnes in the previous week. Improved demand brought moderate purchases mainly in American descriptions. Mali growths made some headway.

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

■ CRB Futures (Base: 1967=100)

CROSSWORD

No.8,541 [illegible] by ALAUN

ACROSS

1 A lot of money that comes to you in the post (6)
4 Landing strip from which there are no take-offs (8)
9 Would an insect snoop about for food in it? (6)
10 Excited by? No! (6,2)
12 On the next pa[illegible] you'll see where to spray the insecticide (8)
13 Makes a little change, holidaying in Spain (6)
15 Bother! It's in my in-tray (2-2)
16 Nearing Holland, is set free (3,3,4)
19 In favour of locks to keep out marauders (10)
20 Continue to look from right to left (4)
23 Pop into a little restaurant for a meal (6)
25 Criticise for giving a home to a cat (8)
27 Mr Fix-it [illegible] the music world? (8)
28 Be against holding [illegible] the contrary (6)
29 Said "Throw the rest out. [illegible] a total failure" (8)
30 Taking about fifty fruit as perfect examples of their kind (6)

DOWN

1 With "Modern music is unacceptable," [illegible] (4,3)
[illegible] He maintains he's a competitor (9)
3 Registers while the [illegible]n senor is [illegible] ou[illegible]
5 The dolt's got a wrong number (4)
6 Thought the deer were flocking to the water (8)
7 Foreign minister [illegible]
8 Managed to get the bag and to search it [illegible]
11 Showy food served in the airmen's mess? (7)
14 To get support, ran outside and got soaked (7)
17 What proporti[illegible] Nine of our group (3,2,4)
18 Both introduces and makes the awards to (8)
19 A fight in the car ahead (7)
21 Thinks it better to have mentions on the front page (7)
22 It's two fifty when the car comes round (6)
24 As usual, taking half the bits and pieces (5)
26 "Give up", one of likely winners said (4)

Solution 8,540

JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE races ahead to close at five-month high

By Steve Thompson

A burst of heavy buying interest from the US and throughout Europe just before the close of trading, drove the *FT-SE 100 index* decisively through the 3,200 level.

FT-SE 3,200 has proved a stumbling block to the market in recent sessions, with the index pushing through that level many times only to drop back sharply.

The buying was mainly through the FT-SE future and was said to have been generated by strong buying and arbitraging by two leading integrated houses, one US and the other UK.

At the close the FT-SE 100 was 30.1 higher at 3,205.2, the first time it has closed above 3,200 since March 22. Buying interest was concentrated in the market leaders, however, with the *FT-SE Mid 250 index, which contains* many of the outperforming utilities stocks, able to record a modest 8.7 rise at 3,762.1.

Some traders attributed the burst of support to the excercising of a specially constructed FT-SE stock option at the 3,200 level, a move which led to a rush of short covering and arbitraging in both the future and cash markets.

Market strategists preferred to ascribe the upturn in the market to a decoupling of European equity markets from international bonds. It was noticeable that bonds endured difficult trading for much of yesterday with German bunds unsettled by evidence of increasing inflation in western regions of Germany.

Inflation in Baden Wurtenburg rose 0.2 per cent in the month [illegible] mid-August, giving a year-on-year increase of 3.1 per cent while in North Rhine Westphalia inflation was 0.1 per cent higher on the month and up 2.8 per cent on the year. Analysts were concerned that evidence of rising inflation could demolish any hopes of a cut in German interest rates next week when the Bundesbank Council meets to discuss monetary policy. UK gilts closed little changed on the session.

The market's last-minute advance built on earlier modest gains in equities. The 100 index began the session quietly firm, up over seven points, responding to Wall Street's good overnight performance which in turn was a reflection of the encouraging outcome of the auction $17bn worth of two year bonds.

European markets received a further boost from the [illegible] the Dow Jones was more than 20 points higher shortly after the opening, following a fall in US durable goods orders. The US news was interpreted as indicating a slowing of the US economy and [illegible] a rise in US bonds.

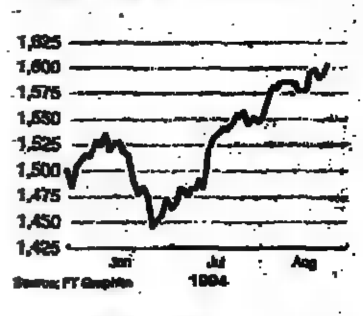
The buying spree produced another useful increase in the volume of business in London. Turnover reached 701.6m shares, well up on Tuesday's 556.5m and Monday's 486m. The value of customer business in London on Tuesday was £1.8bn.

News that Seeboard had purchased 2m of its own shares late on Tuesday was the trigger for yet another burst of strength in the regional electricity stocks which have spiralled upwards both before and following the electricity distribution [illegible] last month.

All the 12 electricity companies have shareholder permission to buy their own shares and the market is also braced to expect a burst of stakebuilding [illegible] or takeover activity possibly [illegible] the removal [illegible] Government's "golden shares" which will be withdrawn next March. It was also pointed out that [illegible] still underweight in the Recs and waiting for an expected bout of profit-taking in the sector.

Composite insurers delivered good rises across the board with traders noting the sector's underperformance for much of the year. And there were keen buyers in the market for Lloyds Bank and HSBC. Takeover stories remained the dominant factor in a buoyant drugs sector where Glaxo, Zeneca and Wellcome all made significant progress.

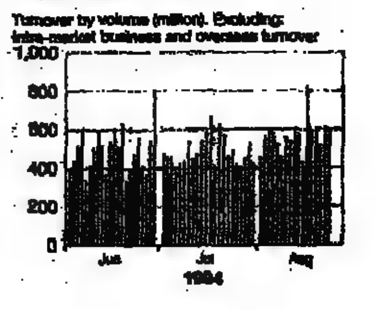
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ [illegible] indicators

Indices and ratios

FT-SE 100	3205.2	+30.1	FT Ordinary index	2507.5	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	FT-SE-A Non Fins p/e	[illegible]	(19.77)
FT-SE-A 350	[illegible]	[illegible]	FT-SE 100 Fut [illegible]	3224.0	+33.0
FT-SE-A All-Share	[illegible]	+11.73	[illegible] yr Gilt yield	8.72	(8.74)
FT-SE-A All-Share yield	3.72	(3.75)	Long gilt/equity yld ratio:	2.36	(2.34)

Best performing [illegible]

1	[illegible]	+2.4
2	Electricity	+2.3
3	Retailers, Food	+2.0
4	Utilities	+1.7
5	Oil, Integrated	+1.5

Worst performing sectors

1	Oil Exploration & Prod	-1.1
2	Engineering, Vehicles	-0.8
3	Other Financial	-0.7
4	Building & Construc	-0.6
5	Building Materials	-0.4

Buy-back pushes RECs up

The regional electricity companies (RECs) saw their share prices spike higher as Seeboard became the first since the recent regulatory review to buy back its own equity.

The purchase of 2m shares at 425p in order to distribute part of its cash surplus to shareholders represented less than one per cent of the company's equity. It was a fragment of the stake that Seeboard can reclaim - it has permission to buy back 10 per cent or 25m shares - but served as a timely reminder of what one analyst described as the "tiny window of opportunity" that the RECs have.

Their closed seasons begin [illegible] the end of September and when they finally report they will be inhibited by their involvement with the flotation of the National Grid. This will take them through to the next closed season and affectively tie their hands until next summer.

Mr Kevin Lapwood, of Smith New Court said: "This is a dream ticket until the end of September." He believes prices could rise by 15 per cent in the short term.

Hoare Govett take a more cautious stance but still believes share prices could rise by a further 7 per cent. Profit taking towards the end of the day saw some of the more spectacular rises whittled back but Seeboard closed 17 higher at 437p while Southern Electric rose 25 to 792p and Eastern Electricity, which also experienced very active turnover in traded options, added 20 at 822p. The gains are likely to dampen down some of the takeover speculation that has surrounded the sector since Goldman Sachs bought a block of 7.7m shares, some 2.99 per cent stake in Eastern, the sector leader.

Asda active

Turnover in food retailer ASDA Group jumped to a hefty 29.5m, making it the day's most actively traded stock after a broker reiterated its buy recommendation on the stock.

The shares closed 3 ahead at 67p, as Morgan Stanley reiterated its buy stance on the stock and predicted likely profit upgradings. Mr Nick Bubb at the broker said: "If the stores renewal programme continues to deliver results and industry margins continue to recover then current profits estimates will look conservative." His current prediction is for full-year profits of £200m.

Investment bank Lehman brothers were also said to have been active in the stock.

The sector has been left behind in recent sessions and dealers took the opportunity of a strong market yesterday for bargain-hunting, thus boosting other food retailing stocks. Kwik Save jumped 10 to 612p, Argyll Group 8 to 298p and Tesco, 4 to 249p. Tesco said yesterday it had received acceptances for 58.11 per cent of Wm Low, the Scottish grocer at the centre of the recent bid battle, and also claimed acceptances for 49.77 per cent of the preference share offer.

Securities house UBS was said to have had the big buyer of WH Smith Group, the high street retailer which reported figures in line with market expectations yesterday.

The shares gained 12 to 481p, after trade of 2m. However, Mr Tony Shiret at BZW was decidedly lukewarm about the figures and said: "The results were in line but I think the progress of the main WH Smith chain was muted."

Presentations to institutions by Boots boosted the shares another 11 to 563p.

News that Body Shop is under investigation by US authorities in relation to its US franchise operations left the shares trailing 8 to 219p.

MFI Furniture rose 3 to 149½p after BZW, a long term bear of the stock, moved it from the sell list and gave it a hold recommendation following the stocks' recent strong underperformance.

Kingfisher put on 6 to 534p, ahead of today's visit by institutions to one of its warehouses.

Pharmaceuticals groups gained ground as takeover stories circulated in the market. Wellcome, which is considered to be a prime bid candidate lifted 11 to 720p, with some additional help from the potential benefit from a legal fracas with SmithKline Beecham, which fell 2 to 446p in the A's. Meanwhile Zeneca which has also been mentioned as a potential UK target, improved 17 to 848p and Glaxo, considered to be looking for an acquisition, gained 7½ to 652½p.

Shell Transport improved 11 to 729p as S.G. Warburg discussed the group's interim dividend prospects. The house was arguing that the company would boost its UK dividend by 12 per cent to 11.4p and its full year payout by 16 per cent to 27½p putting the yield at a 15 per cent premium to the market and giving a 10 per cent upside to the shares. Meanwhile, BP benefited from news that it had successfully completed tests at its Cupigua field in Colombia. The shares gained 6 to 412p.

Tobacco and insurance conglomerate BAT Industries improved 10 to 432p as optimism over the prospects for tobacco profits in the US prompted Salomon Brothers to upgrade its recommendation on rival Philip Morris. Shares in the Telegraph sank 14 to 380p after the newspaper group revealed disappointing first-half figures.

Among property stocks, Land Securities shed 3 to 649p on reports that Kleinwort Benson had urged investors to switch out of the stock and into MEPC, a penny harder at 454p. However, Kleinwort Benson denied making such a recommendation.

Building materials group *CAMAS*, which was demerged from English China Clays in June, put on 3 to 85p, following a UBS recommendation. English China shed 3 to 385p.

Information Technology group Parity gained 12 to 129p following a sharp rise in interim profits to £2m.

Chemicals group Sutcliffe Speakman fell almost 20 per cent as the company sacked its managing director and warned of poor sales in its carbons division. The shares rallied to close 5 off at 40p.

Waste Management put on 8 to 585p ahead of a presentation to US and UK analysts today.

Talk of an order and recommendation from Hoare Govett boosted defence electronics group GEC. The shares added 6 to 301p, after trade of 4.7m.

Profit-taking in Senior Engineering which reported a 5 per cent profits increase, in line with expectations, left the shares 14½ down at 123½p.

There was poor sentiment among vehicle related stocks after Tuesday's revelation of figures showing German car registrations down 16 per cent in July. GKN lost 4 to 624p, while BBA Group eased 3 to 191p. Lucas Industries relinquished 2 to 191p.

MARKET REPORTERS:
Peter John,
Joel Kibazo,

■ Other statistics, Page 18.

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (89).
BLDG MATLS & MCHTS (2) CAMAS, Halstead (J.), CHEMICALS (1) Wolstenholme Rink, DISTRIBUTORS (8) Adam & Harvey, Faber Prest, Finelist, Northamber, Spandex, DIVERSIFIED INDLS (1) Whitecroft, ELECTRICITY (12) ELECTRNC & ELECT EQUIP (3) Emess, Pressac, ENGINEERING (8) Aerospace Eng., Apollo Metals, Manganese Bronze, Ransomes, Staveley Inds., BM, VEHICLES (1) First Technology, EXTRACTIVE INDS (2) HEALTH CARE (1) Midland Assets, HOUSEHOLD GOODS (1) Stock (F), INVESTMENT TRUSTS (8) LEISURE & HOTELS (3) Bluebird Toys, Boosey & Hawkes, Bristol Scotts, MEDIA (3) AngloScandia TVA, Yorkshire Tyne-Tees Wts., OIL EXPLORATION & PROD (1) Ramco Energy, OIL, INTEGRATED (1) Burmah Castrol, PRTNG, PAPER & PACKG (1) RETAILERS, FOOD (1) RETAILERS, GENERAL (2) SPIRITS, WINES & CIDERS (1) Macallan-Glenlivet, SUPPORT SERVS (8) Computer People, Manpower Inc., Reed Executive, TEXTILES & APPAREL (2) Bulmer, Hicking Pentecost, TRANSPORT (1) GRT, WATER (1) Chester, AMERICANS (8) SOUTH AFRICANS (1).
NEW LOWS (40).
GILTS (3) BANKS (1) BUILDING & CNSTRN (3) Barratt Devpt., Eve, Tilbury Douglas, CHEMICALS (1) Sutcliffe Speakman, DISTRIBUTORS (1) Kwik-Fit, ENGINEERING (1) Cooksons, BSG, VEHICLES (1) Ingham, EXTRACTIVE INDS (1) Ashanti, HEALTH CARE (1) Goldsborough Hlth., HOUSEHOLD GOODS (3) Fine Decor, Tomkinsons, Wyefield, INSURANCE (1) INVESTMENT TRUSTS (1) INVESTMENT COMPANIES (1) LEISURE & HOTELS (3) CentreGold, Harmony Property, Ticketing, OIL, INTEGRATED (2) OTHER FINANCIAL (2) PHARMACEUTICALS (1) PRTNG, PAPER & PACKG (1) Huntsprint, PROPERTY (2) SUPPORT SERVS (2) TEXTILES & APPAREL (2) Atkins, Drummond, AMERICANS (4) SOUTH AFRICANS (1).

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures raced ahead as the trading session drew to a close, cruising through the 3,200 level and closing sharply higher *writes Steve Thompson.*

The m[illegible] buoyancy, which fo[illegible] another strong performance from Wall Street, was in sharp contrast to the early part of the session.

The September futures contract opened at 3,198, mirroring the strong showing by Wall Street overnight and a steady performance by US bonds, but quickly ran out of steam, slipping back to the day's low point, 3,186.

For most of the day the contract moved narrowly before suddenly rushing up through 3,200. At that key level it prompted a welter of buying from the locals, or independent traders, who rushed in to cover short positions. Dealers also noted heavy arbitraging, selling the future and buying the underlying stocks.

The contracts ended the day at 3,225, a hefty premium of 22 points over fair value and *an indication that dealers are looking for a strong performance from the market in the short term.* Turnover was *a slightly disappointing* 12,045 contracts.

Talk that a specially-tailored FT-SE 100 stock option had been struck at 3,200 also helped spur the market on.

Eastern Electricity, topped the list of most active stock options, with 3,458 contracts traded.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3198.0	3224.0	33.0	3230.0	3186.0	12045	55833
Dec	3208.0	3237.5	33.0	3238.5	3208.5	1373	5296
Mar	-	3259.0	33.0	-	-	0	0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3770.5	3773.0	10.0	3781.0	3765.0	215	4498

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	3773.0	-	-	-	-	686

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3205) £10 per full index point

	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P
Sep	180	5	135	10½	93	18	58½	34	32½	61	16½	97	8	147	3½	197
Oct	194	24	159½	35½	119	49	90	70	64½	94½	44	125	28½	162	16½	202½
Nov	213½	35	177	48½	119	63½	113	88	88½	109	68½	136½	47	172	39	210
Dec	239	49½	193½	62½	158½	79½	134	100	108	123	84	151½	62½	182	49½	219
Jun†			286	179			238½	158½			177	208½			132½	265½

Calls 2,838 Puts 1,459

■ EURO STYLE FT-SE 100 INDEX OPTION [illegible] £10 per full index point

	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P
Sep	203½	5½	[illegible]	8½	113	14½	75½	28½	43	44	22	85	8	123	3½	183½
Oct	216½	21	[illegible]	30½	138	42½	105½	59	75	80½	55	107½	37½	139½	26	176
Nov	230½	30			169	55			101½	98			59½	152½		
Dec	251	42			178	68½			119½	107			74½	160½		
Mar†	294	67			227	95½			170	157			124	186		

Calls 184 Puts 1,645. * Underlying index value. [illegible] shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3500	3550	3600	3650	3700	3750	3800	3850
Sep						63¼ 53½	65¼ 79¼	39¼ 108½

Calls 0 Puts 0 Settlement [illegible] and volumes are taken at 4.30pm.

TRADING VOLUME

■ [illegible] Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	29,500	67	+3
Abbey National†	3,200	388	+8
Albert Fisher	1,700	47	+½
Allied-Lyons†	2,400	520	+14
Anglian Water	698	550	+8
Argos	261	361	+5
Argyll Group†	8,700	298	+8
Arjo Wiggins†	1,400	279½	+6½
Assoc. Brit. Foods†	446	557	+½
Assoc. Brit. Ports	172	284	-1
BAA†	1,300	514	+1
BAT Inds.†	3,200	432	+10
BET	675	116	-1
BICC	74	403	+5
BOC†	407	732	+2
BP†	8,300	412	+6
BPB Inds.	1,100	324	-5
BT†	11,000	387	+5
BT (Partly paid)	5,300	287	+5
BTR†	4,400	385	+5
Bank of Scotland†	2,100	189	-1
Barclays†	3,000	570	+6
Bass†	2,200	575	+5
[illegible] Circle†	2,800	308	+1½
Booker	48	434	-1
Boots†	2,600	563	+11
Bowater†	1,000	470½	+5½
Brit. Aerospace†	1,100	494	-4
British Airways†	7,000	405	+10
British Gas†	6,600	302	+4½
British Land	366	400	+2
British Steel†	6,400	135½	+½
Bunzl	290	160	-3
Burmah Castrol†	354	847	+12
Burton	2,100	69½	+½
Cable & Wire†	5,000	464	-4
Cadbury Schweppes†	2,100	472	-2
Calor Group	175	221	-2
Caradon†	1,000	268	+½
Carlton Comms.†	1,400	881	-10
Coats Viyella†	1,000	230	+6
Comm. Union†	1,300	564	+7
Cookson	110	258	[illegible]
Courtaulds†	2,500	516	-6
Dalgety	573	475	+11
De La Rue†	1,200	965	+6
Dixons	450	207	[illegible]
Eastern Elec.	3,200	822	+20
East Midland Elec.	1,400	760	+5
Eng China Clays	2,600	385	-3
Enterprise Oil†	670	392	-2
Eurotunnel Units	212	268	-2
FKI	1,500	161	+3
[illegible]	1,300	151	+4
Foreign & Col. I.T.	1,100	145	+½
Forte†	4,000	249	+1
Gen. Accident†	917	591	+11
General Elec.†	4,700	301	+6
Glaxo†	7,300	652½	+7½
Glynwed	394	354	-3
Granada†	4,600	480	+5
Grand Met.†	4,400	444	+1
GUS†	640	588	+6
GRE†	1,500	185	-3
GKN†	640	624	-4
Guinness†	10,000	484	+8
HSBC (75p shs)†	2,000	718	+8
Hammerson	61	380	+6
Hanson†	11,000	255½	-1
Harrisons Crosfield	330	138	+1
Hays	238	396	-2
Hillsdown	6,200	185	+1
IMI	308	385	-3
ICI†	1,500	852	+5
Inchcape†	610	428	+1
Johnson Matthey	681	575	[illegible]
Kingfisher†	757	534	+6
Kwik Save	971	612	+10
Ladbroke†	4,700	166	+1
Land Securities†	2,500	649	-3
Laporte	315	738	-3
Legal & General†	1,400	462½	+5½
Lloyds Abbey	676	350	[illegible]
Lloyds Bank†	2,000	548	+5
[illegible]	[illegible]	[illegible]	[illegible]

FT - SE Actuaries Share Indices — The UK Series

	Aug 24	Day's chge%	Aug 23	Aug 22	Aug 19	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3205.2	+0.9	3175.1†	3171.5	3191.4	3079.2	3.93	6.82	17.32	87.27	1206.80
FT-SE Mid 250	3762.1	+0.2	3759.4	3740.8	3759.9	3495.5	3.29	5.54	21.68	85.59	1395.69
FT-SE Mid 250 ex Inv Trusts	3764.9	+0.2	3757.1	3754.7	3756.2	3507.9	3.43	6.00	20.15	88.52	1393.22
FT-SE-A 350	1617.4	+0.8	1604.5	1603.0	1611.2	1542.1	3.78	6.62	18.17	42.37	1245.80
FT-SE SmallCap	1891.68	+0.2	1888.66	1887.48	1889.98	1771.60	2.99	4.17	30.75	37.04	1462.12
FT-SE SmallCap ex Inv Trusts	1855.50	+0.1	1854.07	1853.05	1852.61	1785.31	3.17	4.82	28.28	37.98	1438.54
FT-SE-A ALL-SHARE	1604.14	+0.7	1592.41	1590.67	1599.16	1527.58	3.72	6.56	18.72	41.29	1256.89

■ FT-SE Actuaries All-Share

	Aug 24	Day's chge%	Aug 23	Aug 22	Aug 19	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(19)	2720.99	+1.0	2693.42	2682.47	2708.56	2344.00	3.34	5.20	24.14	54.71	1064.17
12 Extractive Industries(4)	3885.96	—	3886.20	3852.87	3861.78	3322.80	3.28	5.18	24.17	54.24	1060.45
15 Oil, Integrated(3)	2680.41	+1.5	2641.59	2631.67	2656.71	2277.20	3.43	5.69	22.26	59.99	1091.56
18 Oil Exploration & Prod(11)	1935.65	-1.1	1957.97	1964.12	1977.98	1693.60	2.50	1.26	60.00†	20.34	1109.95
20 GEN MANUFACTURERS(264)	2033.13	+0.2	2028.82	2026.35	2035.40	1981.70	3.78	4.62	26.61	46.70	1028.78
21 Building & Construction(32)	1157.91	-0.6	1165.45	1166.06	1163.62	1157.00	3.33	4.57	28.17	21.28	899.92
22 Building Matls & Merchs(31)	1963.50	-0.4	1972.16	1963.70	1972.02	1829.20	3.75	4.08	30.80	45.76	919.51
23 Chemicals(22)	2508.26	-0.2	2511.35	2524.93	2529.14	2225.50	3.70	4.05	31.19	72.57	1108.98
24 Diversified Industrials(16)	2040.18	+0.7	2025.85	2016.58	2019.97	2082.70	4.45	4.59	28.77	54.88	1034.15
25 Electronic & Elect Equip(36)	2015.46	+1.3	1990.61	1986.55	2015.55	2151.50	3.72	6.24	19.10	55.09	984.46
26 Engineering(70)	1909.07	-0.3	1914.88	1911.92	1916.51	1707.70	2.98	4.62	25.78	38.09	1087.26
27 Engineering, Ve[illegible]	2381.25	-0.8	2401.07	2404.03	2411.73	1980.60	4.40	2.44	58.40	42.17	1139.56
28 Printing, Paper & Pckg(26)	2889.58	+0.5	2876.46	2871.28	2875.76	2501.60	2.92	5.06	23.06	53.44	1130.39
29 Textiles & Apparel(20)	1725.89	+0.6	1715.89	1713.99	1719.06	1898.60	3.89	6.10	20.04	40.49	972.05
30 CONSUMER GOODS(97)	2875.55	+1.0	2847.65	2840.04	2863.87	2852.00	4.04	7.02	16.46	58.29	986.28
31 Breweries(17)	2342.75	+0.5	2330.95	2339.74	2349.61	2130.70	4.09	7.58	16.57	60.23	1049.11
32 Spirits, Wines & Ciders(10)	2985.64	+1.3	2946.03	2930.02	2948.48	3076.80	3.71	6.45	17.87	69.92	1000.86
33 Food Manufacturers(23)	2392.66	+0.6	2377.23	2379.83	2385.87	2392.10	4.01	7.39	15.72	71.03	1003.40
34 Household Goods(13)	2589.79	-0.1	2593.07	2596.91	2598.31	2448.90	3.40	7.12	18.76	62.56	923.39
36 Health Care(21)	1709.70	-0.1	1711.48	1710.52	1731.43	1787.30	2.91	3.15	44.99	33.90	887.24
37 Pharmaceuticals(1[illegible]	3214.95	+0.9	3185.66	3172.75	3178.75	3027.90	3.89	6.77	17.11	70.05	1008.74
38 Tobacco(1)	3624.09	+2.4	3540.19	3502.44	3561.17	4126.20	5.99	9.49	11.32	217.07	826.66
40 SERVICES(220)	2021.47	+0.5	2010.86	2012.86	2021.35	1927.90	3.06	5.95	20.19	40.57	986.66
41 Distributors(31)	2729.38	+0.2	2724.47	2735.74	2739.38	2800.10	3.32	6.48	18.20	62.26	941.97
42 Leisure & Hotels(24)	2124.04	+0.2	2119.86	2133.51	2143.89	1982.70	3.46	4.57	25.58	46.31	1045.35
43 Media(35)	2971.34	-0.2	2976.99	2969.24	2982.20	2614.90	2.31	5.09	22.39	58.89	1030.07
44 Retailers, Food(17)	1855.66	+2.0	1819.24	1814.91	1824.10	1992.10	3.45	8.65	14.28	45.10	1108.82
45 Retailers, General(45)	1740.11	+0.8	1726.95	1728.11	1730.92	1634.30	3.00	6.25	19.92	38.47	925.77
48 Support Services(40)	1582.95	-0.1	1584.08	1589.41	1593.59	1661.90	2.67	5.97	19.78	28.02	998.71
49 Transport(16)	2408.12	+0.4	2398.12	2407.82	2435.87	2265.10	3.49	4.98	[illegible]	41.78	937.99
51 Other Services & Business(9)	1310.03	—	1309.61	1305.58	1293.77	1298.30	3.75	2.33	[illegible]	21.45	1121.55
60 UTILITIES(36)	2517.35	+1.7	2476.22	2476.13	2492.36	2317.30	4.16	7.48	[illegible]	73.42	989.68
62 Electricity(17)	2662.06	+2.3	2602.07	2588.49	2610.18	1923.40	3.44	9.25	12.92	38.49	1107.04
64 Gas Distribution(2)	2007.88	+1.4	1979.59	2002.73	2002.11	2199.10	5.97	‡	‡	66.79	817.62
66 Telecommunications(4)	2079.94	+1.5	2049.98	2052.61	2062.01	2126.10	3.97	7.57	16.69	60.22	886.97
68 Water(13)	1995.64	+0.9	1977.51	1971.66	1943.15	1856.10	4.87	11.88	9.17	69.35	997.60
69 NON-FINANCIALS(635)	1744.39	+0.8	1730.86	1728.68	1737.59	1650.02	3.67	6.05	19.99	43.00	1227.38
70 FINANCIALS(104)	2188.83	+0.6	2176.43	2176.80	2184.02	2188.60	4.37	9.06	12.88	74.17	864.99
71 Banks(10)	2778.75	+0.7	2760.27	2771.82	2777.19	2850.90	4.39	9.65	11.80	102.87	881.54
73 Insurance(17)	1263.79	+1.0	1251.29	1248.73	1251.62	1483.00	5.24	12.74	9.60	47.40	863.01
74 Life Assurance(6)	2459.79	+1.3	2422.89	2391.41	2415.57	2510.10	5.07	7.41	16.57	92.07	834.59
75 Merchant Banks(6)	3088.61	-0.1	3092.97	3094.51	3075.23	2295.80	3.27	10.71	10.98	76.42	920.15
77 Other Financial(24)	1944.66	-0.7	1959.37	1961.14	1960.75	1903.80	3.59	8.10	14.69	49.22	1033.20
79 Property(41)	1557.32	—	1558.79	1555.02	1564.70	1683.20	3.87	3.96	31.51	37.49	858.40
80 INVESTMENT TRUSTS(123)	2903.87	+0.4	2892.65	2894.62	2889.25	2800.50	2.06	1.79	59.42	46.42	974.20
89 FT-SE-A ALL-SHARE(862)	1604.14	+0.7	1592.41	1590.67	1599.16	1527.58	3.72	6.56	18.72	41.29	1256.89

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3182.8	3186.3	3183.5	3188.6	3188.9	3187.5	3191.2	3195.9	3202.9	3205.3	3181.[illegible]
FT-SE Mid 250	3758.4	3760.8	3762.3	3764.3	3763.3	3758.9	3758.8	3760.3	3760.9	3765.5	3758.4
FT-SE-A 350	1608.3	1609.9	1609.0	1611.1	1611.2	1610.2	1611.6	1613.0	1616.4	1617.4	1607.[illegible]

Time of FT-SE 100 Day's high: 4.28pm Day's low: 9.24am. FT-SE 100 1994 High: [illegible] Low: [illegible]

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1117.8	1116.7	1115.9	1115.9	1114.9	1112.0	1110.2	1107.5	1108.2	1108.2	1118.1	-9.9
Pharmaceuticals	3172.0	3184.1	3175.4	3178.1	3186.0	3188.6	3189.0	3191.2	3186.1	3191.1	3161.7	[illegible]
Water	1988.6	1984.9	1983.1	1984.4	1981.1	1981.1	1982.8	1996.0	1996.7	1996.4	1978.[illegible]	[illegible]
Banks	2800.3	2802.0	2802.7	2806.7	2805.5	2800.8	2804.8	2807.0	2814.7	2813.3	2794.6	+18.7

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. The FT "500" has been renamed FT-SE-A Non-Financials index. © The Financial Times Limited 1994. All rights reserved. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1994. © The International Stock Exchange of the United Kingdom and Republic of Ireland and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied-Lyons	500	46½	–	–	3	–	–
(*519)	550	17	–	–	31	–	–
Argyll	280	20½	32½	36½	7	14	18
(*298)	300	14½	21	25½	16	24	26½
ASDA	60	9	11½	12	2	3½	5
(*66)	70	4	6	7	7	8½	10
Brit Airways	390	29½	38½	50	10	18	24
(*405)	420	14½	25	35	25½	33½	39
[illegible]	420	37½	47	57½	9	18½	22½
(*444)	460	19½	25	33½	25½	36½	43½
Boots	550	31	42½	54½	13½	24	31
(*563)	600	10½	20½	32	43½	52	58½
BP	[illegible]	33	41	47½	7	14	18
(*412)	[illegible]	13½	24½	32	18½	27½	33½
British Steel	[illegible]	10	22½	25½	2½	5	7½
(*135)	[illegible]	6½	11	15½	10	13½	16
Bass	[illegible]	41½	49½	59	10½	25½	33½
(*576)	[illegible]	18	24	33½	35½	55½	62½
Cable & Wire	460	26	38	46½	18	28	34½
(*463)	500	10	21	31½	43½	51½	57
Courtaulds	500	34	45	55	13½	22½	28½
(*517)	550	10½	21	32	40	50½	59
Comm Union	550	28	42½	48	17½	24	35½
(*564)	600	7½	20½	28½	51½	60½	67
ICI	[illegible]	[illegible]	75½	88½	13½	28	40½
(*852)	[illegible]	[illegible]	47½	59	36½	59	66
Kingfisher	[illegible]	[illegible]	55	60	12	19	24½
(*532)	[illegible]	[illegible]	31	40	38	43½	46½
Land Secur	600	58½	68½	75	3½	9½	12½
(*648)	650	22½	33	45½	18½	29	32
Marks & S	420	19½	34	40	5½	15½	20½
(*432)	460	7	13	24	32	35	42
NatWest	460	[illegible]	39	57½	10½	17½	28½
(*482)	500	[illegible]	28	37	29½	36½	50
Sainsbury	420	32	47	55½	7½	18	22½
(*445)	460	15½	26	35½	27½	37	42
Shell Trans.	700	36	42½	59	12½	20½	32
(*727)	750	9½	24½	32½	43	48½	58½
Storehouse	200	21½	28½	29	3½	7	10½
(*214)	220	8½	13½	18	12½	16	20½
Trafalgar	90	7½	10½	14	6	9½	12
(*90)	100	3½	7	9½	13	16	18
Unilever	1100	58½	78½	93	18	29½	44½
(*1136)	1150	30½	49½	65	45½	53½	69
Zeneca	800	58½	74	87	12½	22½	37
(*847)	850	24½	49½	58½	34½	45	61½
Option		Nov	Feb	May	Nov	Feb	May
Grand Met	420	40	45	53	11	19½	24½
(*443)	460	17	24	33½	30	40	45
Ladbroke	160	17½	28	27½	6	11½	14½
(*166)	180	8	14	18½	21	23½	26
Utd Biscuits	330	25½	32	37	13	17½	25½
(*343)	360	11	18½	23½	30	34	43
Option		Sep	Dec	Mar	Sep	Dec	Mar
Fisons	[illegible]	14½	17½	18½	2½	7	9½
(*130)	[illegible]	3½	7	10½	13	16½	21
Option		Nov	Feb	May	Nov	Feb	May
Brit Aero	460	54½	65	74½	18½	28	34
(*494)	500	30	47	55	36½	45½	54½
BAT Inds	420	28½	42½	49	15	21	30
(*439)	460	13	25½	28½	38½	44	54
BTR	360	31	38	42	9	13	19
(*384)	390	14	21	26½	24	28	34½
Brit Telecom	360	37	41	46	5½	11	14
(*389)	390	17½	28	39	16½	25	27½
Cadbury Sch	460	27½	39	44	15½	20½	28½
(*472)	500	10½	20	28	40	44	51
Eastern Elec	800	68	77½	95	32	42½	51½
(*820)	850	39	55	65	60	68	75½
Guinness	460	35	45	51	12	17	24½
(*482)	500	15	26½	30	34	38½	46
GEC	300	17	21	25½	12	18	19½
(*301)	330	5½	9	13½	32	35	38½

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Hanson	240	20½	26½	27½	6	10½	13½
(*255)	260	8½	14	18	16½	20½	23½
Lasmo	134	25½	–	–	4½	–	–
(*153)	154	12½	–	–	10	–	–
Lucas Inds	180	18	22	26½	6½	12½	16½
(*190)	200	8	12½	16½	20½	24	27
P & O	600	39	58	74½	21½	30½	44½
(*595)	[illegible]	24	38	50	45	57½	71
Pilkington	[illegible]	20½	23	27½	5½	9	11½
(*182)	[illegible]	8½	12	17	15	16½	22
Prudential	[illegible]	32	37½	42	6½	11	17½
(*325)	330	14½	21	28	20½	24½	33
RTZ	850	49	61	74½	35	40½	58½
(*852)	900	21	36½	52	66½	78½	88
Redland	500	36	46½	64	18	25½	36½
(*519)	550	14	25½	31	50	55	67½
Royal Insce	280	27	36	40	13	16½	22½
(*290)	300	16	26	30	24	35	32½
Tesco	240	18½	26	29	10½	14½	18
(*248)	260	9	15½	19½	21½	26	29
Vodafone	200	16	18½	24	10	14	16½
(*202)	217	7	12	–	20	23½	–
Williams	325	32½	–	–	8	–	–
(*352)	354	14½	–	–	18½	–	–
Option		Oct	Jan	Apr	Oct	Jan	Apr
BAA	500	27	36½	46	13	17½	22
(*512)	525	13½	22½	31½	25	30½	34
Thames Wtr	500	56½	64½	71½	4½	12	16½
(*548)	550	25	34	42	20	32	37½
Option		Sep	Dec	Mar	Sep	Dec	Mar
Abbey Natl	380	17	30	38	9	16½	25½
(*387)	420	5½	16	22½	29	33½	43
Amstrad	30	4	5½	6	1½	3	4
(*32)	35	1½	3	4	4½	6	7
Barclays	550	31	46½	60½	7½	17½	27½
(*571)	600	8½	24	34½	35	44½	54½
Blue Circle	300	14	25	28½	9	16½	23
(*308)	330	3	12	20½	31½	35½	41
British Gas	300	11½	17½	22	7½	17½	18
(*302)	330	2	7½	11½	30	35½	40
Dixons	200	14½	23	26½	5	11	15½
(*207)	220	5	13½	17	16½	22	27
Hillsdown	[illegible]	10½	15½	21½	5½	8½	12
(*185)	[illegible]	3	8½	12½	18	22½	24
Lonrho	[illegible]	10½	16	19	4½	7½	11
(*135)	[illegible]	5	11	14	9	13	16
Natl Power	500	22	36	47½	14	28½	36
(*508)	550	4	15½	28½	47	36½	59
Scot Power	[illegible]	17	32	38½	14½	23	28½
(*430)	[illegible]	6	16	18½	44	48	52
Sears	[illegible]	9	11½	14½	2½	4½	6½
(*116)	[illegible]	3½	6	8	7	9	12
Forte	[illegible]	14	19	28	6	13	16½
(*249)	[illegible]	5	10½	16½	17½	25	28
Tarmac	140	15	17	23	3½	6½	11½
(*149)	160	5	7½	13	14½	27	22½
Thorn EMI	1000	58½	[illegible]	109	11½	28	43½
(*1041)	1050	27½	58½	72½	32	50½	66½
TSB	200	18½	25	28½	2½	6½	11
(*214)	220	6	13½	17½	11½	16	21
Tomkins	240	8	17½	22½	8	14	18
(*240)	260	3	9	12½	23	26½	30
Wellcome	700	40½	56	66	17½	34	46
(*720)	750	18½	40	50	45½	61	71
Option		Oct	Jan	Apr	Oct	Jan	Apr
Glaxo	650	27½	44½	53½	36½	52½	61½
(*651)	700	10½	25	36½	76½	88	96
HSBC 75p shs	700	47	73½	86½	31½	51½	73½
(*717)	750	24½	53½	60	63	79½	102
Reuters	500	28	40½	51	19½	29	36½
(*503)	512	18½	–	–	28½	–	–
Rolls-Royce	[illegible]	13	19½	22½	13	17	21
(*200)	[illegible]	6½	11	14	27	30	33

* Underlying security price. Premiums shown are based on closing offer prices.
August 24, Total contracts: 25,200 Calls: 17,785 Puts: 7,415

FT GOLD MINES INDEX

	Aug 23	% chg on day	Aug 22	Aug 19	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (35)	[illegible]	-0.4	[illegible]	[illegible]	[illegible]	2.17	[illegible]	[illegible]
■ Regional Indices								
Africa (16)	3119.75	+0.4	3106.59	3095.52	2491.83	[illegible]	[illegible]	[illegible]
Australasia (9)	2530.45	-1.7	2574.47	2538.83	2302.32	[illegible]	[illegible]	[illegible]
North America (12)	1543.14	-0.6	1551.91	1559.95	1678.72	[illegible]	[illegible]	[illegible]

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines index: Aug 24: 242.0 ; day's change: -1.0 points; Year ago: 137.0 † Partial. Latest prices were unavailable for this edition.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	34	12	34
Other Fixed Interest	2	3	10
Mineral Extraction	65	47	67
General Manufacturers	130	131	384
Consumer Goods	57	30	100
Services	100	81	324
Utilities	35	3	7
Financials	79	65	204
Investment Trusts	89	34	334
Others	58	32	29
Totals	649	458	1513

Data based on [illegible] listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	August 22	Expiry	November 24
Last Dealings	September 5	Settlement	December 8

Calls: Aran Energy, Cal. Pizza, Division Grp., Grand Central, Gulfstream Res., Tadpole Tech. Puts: Whitbread, YTV Wts., Puts & Calls: Hillsdown, Tarmac

LONDON RECENT [illegible] EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	24.8	100	92	§Aromascan	92	-4	-	-	-	-
-	F.P.	20.4	89	81	Baillie G Shn Wrts	81		-	-	-	-
100	F.P.	19.4	102	100	Beacon Inv Tst	102		-	-	-	-
-	F.P.	1.79	47	43	Do. Warrants	47		-	-	-	-
18	F.P.	8.11	34	21	Camell	33	-1	-	-	-	-
165	F.P.	75.8	173	165	Chamberlain Ph.	170		W7.3	1.0	5.4	22.3
120	F.P.	12.5	133	118	Copyright Prom.	125	+2	uN1.0	2.8	1.0	44.8
-	F.P.	28.5	58	52	Emrg Mkts Country	58		-	-	-	-
-	F.P.	3.40	38	28	Do. Warrants	34		-	-	-	-
-	F.P.	8.71	71	68	Freeport	68		-	-	-	-
-	F.P.	32.2	94	91	INVESCO Jpn Disc	92		-	-	-	-
-	F.P.	3.33	50	42	Do. Warrants	47½		-	-	-	-
-	F.P.	-	77	65	JF Fl Japan Wrts	66	-1	-	-	-	-
-	F.P.	15.9	40	35	§Magnum Power	35		-	-	-	-
100	F.P.	83.9	98	91	Old Mutual SA	91¼	+¼	-	-	-	-
-	F.P.	5.74	45	41	Do Warrants	41		-	-	-	-
23	F.P.	10.6	31	29	Orbis	29		-	-	-	-
§90	F.P.	15.8	96	90	Panther	90		N2.78	-	3.9	-
-	F.P.	0.80	17	5½	Do. Warrants	17		-	-	-	-
-	F.P.	1.28	40	39	Petrocaltic	40		-	-	-	-
160	F.P.	179.9	162	157	Pillar Property Inv	159		LN3.7	-	2.9	-
-	F.P.	4.79	44	36	Suter Wrts 99/04	41	[illegible]	-	-	-	-
100	F.P.	3.81	105	97	TR Euro Gth Ptg	105	[illegible]	-	-	-	-
-	F.P.	2.40	35	29	Tops Ests Wrts	30		-	-	-	-
-	F.P.	53.3	48	34	VideoLogic	35		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
8	Nil	[illegible]	1½pm	1pm	BCE	1pm	-½
340	Nil	[illegible]	47pm	41pm	Gibbs Mew	47pm	
15	Nil	[illegible]	4pm	¼pm	Hartstone	¼pm	-¼
32	Nil	[illegible]	1½pm	½pm	Raglan Props	1¼pm	-¼

FINANCIAL TIMES EQUITY INDICES

	Aug 24	Aug 23	Aug 22	Aug 19	Aug 18	Yr ago	*High	*Low
Ordinary Share	2507.5	2489.7	2488.4	2496.9	2490.4	2394.3	2713.6	2240.6
Ord. div. yield	4.07	4.09	4.09	4.07	4.09	3.86	4.46	3.43
Earn. yld. % full	5.85	5.88	5.88	5.86	5.88	4.55	5.95	3.82
P/E ratio net	18.27	18.18	18.19	18.25	18.19	28.04	33.43	17.89
P/E ratio nil	18.88	18.78	18.79	18.85	18.79	25.90	30.90	18.61

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2495.3	2496.9	2496.4	2497.3	2498.6	2497.7	2499.8	2502.3	2500.7	2507.7	2494.4

	Aug 24	Aug 23	Aug 22	Aug 19	Aug 18	Yr ago
SEAQ bargains	29,394	27,021	30,738	29,689	30,449	31,865
Equity turnover (£m)†	-	1299.7	1197.5	1278.7	1581.8	2301.5
Equity bargains†	-	30,502	34,378	33,835	35,595	35,709
Shares [illegible] (m)†	-	600.2	619.2	515.8	610.1	614.0

†Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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Waverley Unit Tst Mngmt Ltd (1000)F

Whittingdale Unit Tst Mngmt Ltd (0830)F

Woolwich Unit Trust Managers Ltd (1700)H

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Baring Investment Mngmt Ltd

INSURANCES

Acuma Life Assurance

AEGON Life Assurance Co (UK) Ltd

Clerical Medical/Fidelity Investments

Clerical Medical Investment

Friends Provident - Contd.

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General

MGM Assurance (c)

Manchester Unity Assurance

Norwich Union Life Insurance Soc - Contd.

Norwich Union Pensions Management Ltd

Pearl Assurance (Unit Funds) Ltd

Prudential Individual Pension Funds

Reliance Mutual

Royal Heritage Life Assurance Ltd

Scottish Amicable

Scottish Equitable plc

Scottish Life Investments

Scottish Mutual Assurance plc

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MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

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FT MANAGED FUNDS SERVICE

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LUXEMBOURG (REGULATED)(**)

Abtrust Fund Mngrs Luxembourg SA (u)
13 rue Goethe L-1637 Luxembourg

HSBC Investment Funds Luxembourg SA - Contd.

American Phoenix Investment Portfolios (u)
13 rue Goethe L-1637 Luxembourg

BAII Intermarket Fund

Bank Van Ernst & Cie AG

Henderson Management SA (u)

Lloyds Bank Luxembourg (u)

Lombard Odier Invest (u)

MFS International Funds

Selection Fund

World Bond Fund-SICAV (z)

Yamaichi Advanced Technology Fund

Yamaichi 1982 SMM Fund SICAV (u)

OTHER OFFSHORE FUNDS

Ermitage Group

Jardine Fleming Unit Trusts Ltd - Contd.

Johnson Fry Securities Ltd

Jupiter Tyndall (Bermuda) Ltd

Putnam Embassy Funds Ltd

Putnam International Advisers Ltd

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar and pound firmer

The dollar and sterling were yesterday both beneficiaries of rallies which came [illegible] the expense of the D-Mark, *writes Philip Gawith.*

Both moves were technically driven, rather than a reflection [illegible] fundamentals, [illegible] came against the backdrop of low turnover in markets devoid of any news to respond to.

"The market is looking for things to do, rather than what it really believes in," was the comment of one trader.

The only release of note was the July durable goods number in the US, a figure too volatile to offer much direction to the market.

The dollar closed in London [illegible] DM1.5411, from DM1.5377. Against the [illegible] it finished slightly down at Y98.415 from Y98.45.

Sterling hung on to the coat-tails of the US currency, to [illegible] at DM2.3977, from DM2.3893, and at $1.5558 from $1.5539. The sterling index finished three basis points firmer at 78.9.

The D-Mark was mixed in Europe, finishing slightly higher against [illegible] krona, but down [illegible] Italian lira.

■ Mr Nick Parsons, treasury economist at CIBC in London, said there appeared to be an "anti D-Mark mood" in the market. [illegible] of this [illegible] the firmer dollar, which spilled [illegible] Europe. [illegible] Franc, [illegible] example, appreciated steadily throughout the day from [illegible] down to the FFr3.4250 level. Sterling [illegible] threatened to rise [illegible] DM2.40 level.

Mr [illegible] said these moves [illegible] new [illegible] but "a failure of previous chart targets." In the case of the dollar, for example, the currency rallied before it touched the [illegible] low [illegible] DM1.5165, reached on July [illegible].

He attributed this to [illegible] diminished appetite for risk in the market. "The pain threshold is a lot lower than [illegible] would have been [illegible] year ago," said Mr Parsons.

He said investors appeared to be running ever tighter stop levels, meaning that they were quicker to liquidate positions [illegible] turned against them. "If you don't get instant gratification, you have a reversal of the position."

Traders said that failure of the dollar to re-test the old low suggested that the downside for the [illegible] had been established. Yesterday it tried to capitalise on this and push higher, but without conspicuous success. The durable goods [illegible] insufficiently reliable for any firm conclusions to be drawn about [illegible] economy.

Mr Ian Gunner, international economist at Chase Manhattan [illegible] London, [illegible] a pattern appeared [illegible] lished whereby European [illegible] pushed down by a stronger D-Mark, recovered quickly once the dollar stabilised. "This pattern will stop people aggressively shorting [illegible] cross-rates," [illegible] Mr Gunner.

■ The recommencement of US-Japan [illegible] talks [illegible] accompanied by some brave talk out of Tokyo about the yen. [illegible] Bank of Japan official was quoted by news agencies saying: "We believe that it is not difficult to change the current market sentiment through timely and appropriate action."

"The BOJ will act tenaciously to stabilise recent speculative currency movements," he said. His comments came against a background of market rumours in Tokyo that the BOJ had broadened the ambit of its market intervention beyond banks, [illegible] operating through brokers too.

The official predicted that the dollar was unlikely to drop below its post-war low of Y96.60, reached on July 12.

Yesterday evening US negotiators said they were making a "bit of progress" in the insurance trade talks, but said they did not expect a quick resolution.

■ Activity in the short sterling market was very quiet with the December contract trading only 12,300 lots [illegible] finish unchanged at 93.36.

Mr Peter Osler, economist at brokers GNI, said the market was waiting for the price expectations component of the CBI's industrial trends survey, to be released tomorrow. The Bank of England recently signalled it out as an important policy indicator.

Traders said there had been an upsurge in short sterling options volatility ahead of the CBI release. "As people get nervous, so volatility goes up," said Mr Osler. Options volatility is much higher than in Germany and France, reflecting the more stable rate outlook in those countries.

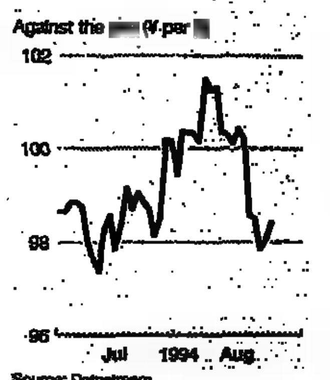
Mr Parsons of CIBC said that following the recent good PPI and RPI numbers, it was possi[illegible] price expectations in the [illegible] would be revised downwards. This would help sterling [illegible] rate markets.

Mr Tony Norfield, UK [illegible]sury economist at ABN-AMRO, [illegible] futures appeared to be too pessimistic about interest rate [illegible]. Six month sterling LIBOR, for example, is project to rise from 6 per cent to 7½ per cent over the next six months.

Mr Norfield said these pro[illegible] should be [illegible] "with a large pinch of salt". The current inflation environment does not bear comparison with the past, he said.

Dollar

Against the [illegible] (Y per [illegible])



Source: Datastream

■ **Pound in New York**

Aug 24	Latest	Prev. close
[illegible]	[illegible]	1.5585
1 mth	1.5548	[illegible]
3 mth	1.5504	[illegible]
1 yr	1.5408	1.5429

■ **OTHER CURRENCIES**

[illegible]	£		$
Hungary	169.785 - [illegible]		108.680 - 108.880
Iran	2716.00 - [illegible]		1748.00 - 1750.00
Kuwait	[illegible] - [illegible]		0.2972 - [illegible]
[illegible]	35302.1 - 35348.8		22695.0 - 22715.0
Russia	[illegible] - 3383.85		[illegible] - 2175.00
U.A.E.	5.7065 - 5.7163		[illegible] - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

EMS EUROPEAN CURRENCY UNIT RATES

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

UK INTEREST RATES

LONDON MONEY RATES

■ **SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%**

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9425	0.15	[illegible]	[illegible]	0.14	0.93	1.62
9450	0.04	[illegible]	0.01	0.28	1.15	1.85
9475	[illegible]	[illegible]	0.01	0.49	[illegible]	[illegible]

Est. vol. total, Calls 4096 Puts 1889. Previous day's open int., Calls 347758 Puts 271189

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
Cl. Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of London Investment Banking Association

* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 24 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Aug 24 / Frs.)

[illegible]

DENMARK (Aug 24 / Kr)

[illegible]

FINLAND (Aug 24 / Mkk)

[illegible]

FRANCE (Aug 24 / Frs.)

[illegible]

GERMANY (Aug 24 / Dm.)

[illegible]

ITALY (Aug 24 / Lire)

[illegible]

NETHERLANDS (Aug 24 / Fls.)

[illegible]

NORWAY (Aug 24 / Kroner)

[illegible]

SPAIN (Aug 24 / Pts.)

[illegible]

SWEDEN (Aug 24 / Kronor)

[illegible]

SWITZERLAND (Aug 24 / Frs.)

[illegible]

PACIFIC

JAPAN (Aug 24 / Yen)

[illegible]

AUSTRALIA (Aug 24 / Aust$)

[illegible]

HONG KONG (Aug 24 / H.K.$)

[illegible]

MALAYSIA (Aug 24 / MYR)

[illegible]

SINGAPORE (Aug 24 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Aug 24 / Can $) 4 pm close

[illegible]

MONTREAL (Aug 24 / Can $) 4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Aug 24 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal ... x Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, August 24, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Hvy	6.4m	785	-1	Toshiba	3.7m	733	-7
Nissan Motor	6.3m	783	+3	Ricoh	3.5m	955	+12
Nippon Steel	5.4m	370	+8	Nomura Sec	3.0m	2,240	-20
Nikko Sec	4.1m	1,170	+10	Hitachi	3.0m	978	
Kao Corp	3.9m	1,200		Asahi Bank	2.6m	1,180	

INDICES

[illegible]

US INDICES

[illegible]

■ RATIOS

	Aug 19	Aug 12	Aug 5	Year ago
Dow Jones Ind. Div. Yield	2.73	2.70	2.72	2.82
	Aug 10	Aug 3	Jul 27	Year ago
S & P Ind. Div. yield	2.43	2.42	2.45	2.52
S & P Ind. P/E ratio	23.51	23.55	23.13	23.14

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	465.20	465.90	+0.70	466.70	464.05	50,813	198,435
Dec	-	467.70	-	-	-	4,580	29,737
Mar	-	470.05	-	-	-	12	4,263

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

[illegible]

■ TRADING ACTIVITY

[illegible]

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Aug	2012.0	2016.0	+1.0	2024.0	2009.0	16,206	23,372
Sep	2021.5	2024.0	+1.5	2031.0	2012.0	2,940	30,074
Oct	2031.0	2033.0	+1.0	2031.0	2031.0	-	1,825

Open interest figures for previous day.

~ Sat Aug 20: Taiwan Weighted Price 6805.84; Korea Comp Ex 947.08. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000, JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 24 - 2132.98 +11.73

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

4 pm close August 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

- B -

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- C -

[illegible]

- D -

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- E -

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4 pm close August 24

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
30¼	25	StJoeLSP	1.80	6.4	14	14	28	28	28	+⅛
45	37¾	StPaul	1.50	3.5	4	1898	43⅞	42¼	42⅞	-1⅛
9⅞	5	Salant Crp			6	171	5½	5⅜	5½	
49⅞	32⅝	Sallie Mae	1.40	3.8	[illegible]	[illegible]	37⅞	36⅝	36⅞	+1½
13⅞	11⅞	Salomon Br	0.32	2.6		127	12½	12⅜	12½	
52¾	41½	Salomon	0.64	1.5	5	1153	43⅝	42⅞	43⅝	+⅛
25	17½	SDgGE	1.52	7.6	10	407	19⅞	19⅝	19⅞	+⅛
10	7½	SantaFeEPn	0.16	1.7	9	230	9½	9⅜	9⅜	
15¾	13½	SFeGd				2506	14⅞	14⅜	14⅞	+½
40	31½	SantaFePac	2.00	8.2	18	33	34¼	34	34¼	[illegible]
[illegible]										

NASDAQ NATIONAL MARKET

4 pm close August 24

[illegible]

AMEX COMPOSITE PRICES

4 pm close August 24

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AMERICA

Steadiness in bonds, firmer dollar lift Dow

Wall Street

A rally by US stocks carried over into a second session yesterday morning thanks to a steady bond market and a firmer dollar, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 24.60 higher at 3,800.43 as the market tested strong technical resistance at the 3,800 level. The more broadly based Standard & Poor's 500 was 1.69 ahead at 466.20.

Volume on the Big Board was relatively light, with only 163m shares exchanged by early afternoon. Advancing issues led declines by a five-to-four margin.

In the secondary markets, the American SE composite was up 0.71 at 446.99, while the Nasdaq composite added 1.56 to 749.54.

The sustained advance by share prices was somewhat surprising, given the absence of any market-moving fundamental developments. Indeed, the day's main economic news was unfavourable to those investors looking for evidence of continued growth in spite of the recent upturn in interest rates.

The Commerce Department announced that factory orders of durable goods last month slumped 4.2 per cent, raising the eyebrows of most analysts, who had forecast a slight gain.

But most of the decline stemmed from normal summertime shutdowns of automobile assembly plants and a big drop in the volatile aircraft sector. Thus, the significance of the headline figure was generally dismissed.

Still, the data were enough to keep inflation-sensitive bonds in positive territory during the morning. The dollar, which posted decent gains against the yen and D-Mark after stabilising the previous day, lent additional support to equities.

Yesterday, investors could not rely on capital goods issues to carry the rest of the market forward. The sector grew quiet after a strong outing during the previous session, with the news on durable goods snuffing out any lingering enthusiasm generated by Deere's robust quarterly performance.

Among the Dow industrials, two other cyclical stocks stepped to the fore. Alcoa advanced $1⅛ to $78⅛ while International Paper added $1⅛ to $72⅞.

On the negative side, IBM was set back $⅞ to $65⅞ a day after announcing plans to slash prices on personal computers used by businesses.

Blockbuster Entertainment was trading down $1⅛ at $26⅝ after its board reaffirmed its approval of plans to merge with Viacom. The news pushed Viacom's A shares $1⅛ lower to $39.

In retailing, Best Buy gained $2 to $33⅞ on a "strong buy" recommendation by Alex Brown & Sons.

Morgan Stanley, the investment bank, was marked down $2 to $67⅛. The company reported a 46 per cent downturn in second quarter profits after Tuesday's close.

On the Nasdaq, Oracle climbed $1⅛ to $40⅞ after Merrill Lynch raised its estimate of the company's fiscal 1995 net income.

Amgen gave back $2 to $54 after appreciating on Tuesday in anticipation of a imminent takeover in the biotechnology sector. At least two Wall Street securities houses downgraded the stock on the basis of its high price.

Canada

Toronto stocks got off to a buoyant start, buoyed by firmer debt markets, positive bank earnings and higher gold prices.

The TSE 300 composite index was up 21.12 to 4,232.80 in volume of 23.47m shares valued at C$315m, as sharp losses in transportation were more than offset by gains in precious metals, financial services and pipelines.

Canadian bonds strengthened on the firm Canadian dollar, which was trading at around C$1.3734 from Tuesday's close at C$1.3768 on US currency gains.

Of 14 sub-indices, nine were stronger with financial services the dominant group, recording a climb of 33.34, or 1.08 per cent, to 3122.69.

Mexico

Mexican share prices fell after a slight rise in short term domestic interest rates. The IPC index lost 10.81 to 2,744.72 in early trading and had doubled its losses by midsession.

Venezuela

Caracas closed slightly down with the market struggling to regain the upward tendency of the last few weeks. The Merinvest composite index closed 1.52 or 1.05 per cent lower at 142.98.

South Africa ignores interest rate fears

Johannesburg registered strong gains in steady trade as it reacted to gold price strength and firmer world equity markets.

The overall index added 39 at 5,897, industrials were 33 better at 6,650 and golds rose 39 to 2,284, up 1.7 per cent.

Dealers said that sharply weaker local bonds had very little effect on equities, in spite of earlier fears that negative sentiment could spill over into shares.

The new listing, Housewares, rallied to a 300 cent high before settling back to close 10 cents higher at 290 cents. It was issued at 200 cents on Monday.

Among gold shares, Vaal Reefs added R5 at R419 and Kloof rose R1.50 to R67.50.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Aug. 19 1994	% Change over week	% Change on Dec '93	Local currency terms: Aug. 19 1994	% Change over week	% Change on Dec '93
Latin America	(209)	734.68	+5.9	+12.9			
Argentina	(25)	921.99	+1.7	-7.3	565,756.15	+1.7	-7.3
Brazil	(57)	395.99	+14.7	+70.2	1,324,674,019	+13.2	+1,203.5
Chile	(25)	693.22	+3.0	+25.6	1,161.59	+2.7	+21.9
Colombia[1]	(11)	895.45	-5.0	+38.9	1,293.52	-5.0	+39.5
Mexico	(66)	969.41	+3.3	-3.7	1,411.94	+2.7	+4.6
Peru[2]	(11)	141.29	+1.4	+16.8	190.07	-0.4	+19.5
Venezuela[3]	(12)	550.99	+4.4	-6.9	2,153.31	+4.4	+51.5
Asia	(557)	276.91	+3.0	-4.9			
China[4]	(18)	102.46	-5.4	-31.4	111.13	-5.5	-32.3
South Korea[5]	(156)	130.68	+0.8	+10.6	138.02	+0.7	+10.0
Philippines	(18)	316.96	+0.8	-6.9	392.45	+0.0	-11.6
Taiwan, China[6]	(90)	152.09	+2.0	+12.5	151.19	+1.9	+13.0
India[7]	(76)	140.54	-1.0	+20.7	155.47	-1.0	+20.7
Indonesia[8]	(37)	106.08	+4.0	-14.9	124.49	+4.0	-12.6
Malaysia	(105)	312.03	+3.7	-8.0	293.18	+3.3	-13.0
Pakistan[9]	(15)	399.76	-0.2	+3.0	549.71	-1.0	+4.1
Sri Lanka[10]	(5)	184.89	+1.5	+4.3	197.43	+0.8	+3.4
Thailand	(55)	428.05	+5.0	-10.4	425.24	+5.0	-12.0
Euro/Mid East	(125)	128.68	+4.4	-24.0			
Greece	(25)	229.08	-1.9	+0.6	361.87	-2.8	-6.9
Hungary[11]	(5)	195.91	+2.1	+17.8	254.64	+1.7	+28.1
Jordan	(13)	163.12	-0.9	-1.5	233.54	-0.9	-2.5
Poland[12]	(12)	773.69	+9.5	-5.4	1,114.14	+8.5	+0.9
Portugal	(25)	125.36	+0.8	+10.2	136.16	-0.1	-1.4
Turkey[13]	(40)	132.27	+9.2	-37.8	1,942.95	+8.7	+33.6
Zimbabwe[14]	(5)	249.77	+2.1	+23.6	297.42	+2.1	+39.2
Composite	(891)	361.93	+4.5	+1.7			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1990; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

Recent weeks have been dominated by elections in the world's emerging markets, polling having taken place in both Mexico and Sri Lanka. Investors are now keeping a close watch on the performance of Brazil, which has presidential elections in October.

The São Paulo stock market has been encouraged this week by new opinion polls which have suggested that the former economy minister, Mr Fernando Henrique Cardoso, has extended his lead over the other main candidate, Mr Luiz Inacio Lula da Silva.

A period of profit-taking is expected in the short term, given the market's strength in recent sessions. However, over the longer term analysts remain positive on Brazilian stocks, helped by positive economic signals, particularly in the form of lower forecasts for inflation data covering August and September.

EUROPE

Selective interest revives banking sector

Interest in the underperforming banking sector, selective in Zurich but more general in Frankfurt, was a key feature in yesterday's bourse recovery, *writes Our Markets Staff.*

Mr Robert Law, a banking analyst at Lehman Brothers in London, said this week that there were now strong valuation arguments for selected bank stocks: bank p/e and yield relatives, he said, had returned to 1980s levels and the fall in bank shares had been almost indiscriminate.

FRANKFURT rose in moderate activity, turnover only easing from DM7bn to DM6.9bn as the Dax index increased 18.50 to 2,126.37, more than incorporating Tuesday's post-bourse gains, and climbed again after hours to an Ibis-indicated 2,132.98.

Investor interest in banks, along with consumer and building stocks, took Deutsche Bank up DM15.50 to DM701.50, Dresdner by DM10 to DM398.50 and Bayernhypo by DM7.50 to DM410.

Interest in the chemicals sector was positive, but relatively muted. Hoechst leading after its 39 per cent rise in first half pre-tax profits with a gain of DM3.50 to DM347.50. In pharmaceuticals, however, Schering bounced back strongly after coming under sharp recent pressure on news of an official probe into some of its drugs, recovering another DM24 to DM912.50.

FT-SE Actuaries Share Indices

Aug 24 — Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1351.26	1352.33	1355.98	1358.88	1359.04	1360.22	1358.21	1358.31
FT-SE Eurotrack 200	1413.15	1414.08	1417.37	1418.52	1419.80	1419.40	1420.15	1419.22

THE EUROPEAN SERIES

	Aug 23	Aug 22	Aug 19	Aug 18	Aug 17
FT-SE Eurotrack 100	1347.78	1341.32	1352.29	1352.88	1362.77
FT-SE Eurotrack 200	1408.10	1400.80	1412.21	1415.01	1428.60

Base 1000 (26/10/90); Highday: 100 - 1360.65; 200 - 1421.58 Lowday: 100 - 1351.30 200 - 1412.85 † Partial

PARIS tracked bond futures and ended a little higher, the CAC-40 index rising 5.66 to 2,006.29 in turnover of FFr3.2bn. Banks mostly did well, Suez rising FFr3.50 to FFr261 and CCF FFr4 to FFr213.50.

The losers included Canal Plus, down FFr16 to FFr911 after Les Echos, the newspaper, said that Mr Nicolas Sarkozy, France's new communications minister, was expected to put stricter conditions on the operations of France's main coded television channel.

MILAN ended higher, the Comit index rising 12.77 to 688.32, but political factors continued to influence shares. Investors were waiting for Friday's cabinet meeting at which draft 1995 budget proposals are due to be discussed.

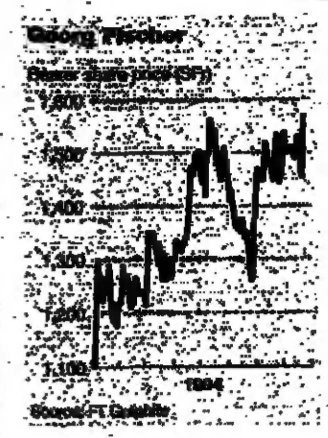
As a result, short-term buying was evident in most sectors, although insurance and telecom stocks proved to be notable exceptions.

Insurers were popular among foreign and domestic institutional investors who were said to be bargain hunting after the heavy losses suffered by the sector in the market's recent correction. The sector also benefited from speculation that it could gain from budget changes. Generali, for example, was up 1.1 per cent at L41,771 and RAS gained 1.4 per cent at L25,849.

ZURICH drew support from a firmer dollar, with the SMI index advancing 10.2 to 2,541.1. However, volume remained thin and most activity was limited to position-squaring by professionals.

Investors focused on Georg Fischer, up SFr105, or 7.2 per cent at SFr1,560 after reporting better than expected first half profits. UBS bearers recovered SFr19 to SFr1,097, while buy orders boosted Nestlé SFr10 to SFr1,194 and Roche certificates by SFr60 to SFr5,740.

AMSTERDAM was supported by a slightly firmer bond market, and by Wall Street as the AEX index closed 3.21 higher at 414.04.



One of the bright spots was Internatio-Mueller which jumped Fl 6.90 to Fl 86.40 after reporting first half results above expectations, while KPN closed up Fl 0.20 at Fl 51.80 in fairly heavy turnover ahead of half-year results released after the close of trade. KPN, the Dutch telecommunications and postal group partly privatised in June, posted a rise of nearly 17 per cent in first-half net profit.

In contrast, Pakhoed was down Fl 1.30 at Fl 48.90 after first half results which were below expectations while Hagemeyer closed down Fl 0.20 at Fl 136.80 on its progress report.

Philips advanced by Fl 0.60 to Fl 57.70 after Moody's Investors Services, the US credit rating agency, said that it had placed the company's long-term debt ratings under review for a possible upgrade.

MADRID accelerated its recovery a little on Wall Street's gains and a firmer dollar, the general index rising 1.91 to 306.15 in turnover of Pta23bn.

Banks were mixed with BBV, Banesto, Popular and Argentaria all losing ground, BCH gaining a little and Santander rising Pta60, or 1.2 per cent to Pta5,160. ADR stocks like Repsol and Telefónica offered a gentle response to Wall Street, rising Pta15 to Pta4,005, and Pta10 to Pta1,795 respectively.

STOCKHOLM finished sharply higher, underpinned by the stronger trend on other European bourses. The Affärsvärlden General index climbed 25.3, or 1.8 per cent to 1,436.6 on turnover of SKr2.95bn. Astra A jumped SKr5, or 3 per cent to SKr170 on speculative buying ahead of mid-term results next week.

WARSAW dropped on intense profit-taking in blue chips and brokers said that the slide would probably continue tomorrow. The all-share index fell 535.8, or 4.2 per cent, to 11,971.2, weighed down by a 10-per cent decline in the market heavyweight, Wedel.

Written and edited by William Cochrane, Robert Vincent and Sarah Utley

ASIA PACIFIC

Hong Kong stabilises as Tokyo turns round

Tokyo

A break in the yen's appreciation against the dollar supported the futures market and the Nikkei index gained ground for the first time in four trading days, *writes Emiko Terazono in Tokyo.*

Buying by arbitrageurs and public funds lifted the 225 average by 130.82 to close at the day's high of 20,511.60. It hit a low of 20,311.96 in the morning session, but revived on buying by public pension and insurance funds.

Futures traders were encouraged by the Bank of Japan buying dollars. Meanwhile cross trading – the selling and buying back of stocks to realise profits without changing the portfolio – among corporate investors and banks before the September book closing also lifted activity. Volume totalled 273.6m shares against 192m.

However, other than domestic institutions buying back some steel and electrical stocks, there was a lack of investment demand.

The Topix index of all first section stocks rose 6.91 to 1,638.70 and the Nikkei 300 rose 1.35 to 298.35. Gainers led losers by 565 to 423 with 193 unchanged and, in London, the ISE/Nikkei 50 index fell 1.55 to 1,329.78.

Steel makers were higher with Nippon Steel up Y8 to Y370. Some electronic makers and high-technology companies, which had been hit by the yen's rise, picked up. NEC gained Y20 to Y1,180 and Ricoh added Y12 to Y955.

In contrast, Toshiba lost Y7 to Y733 on profit-taking and Hitachi, although traded actively, remained unchanged at Y978. TDK, the tape maker, sank Y110 to Y4,270 on reports of a fall in quarterly earnings.

Drugs stocks were higher. Takeda Chemical advanced Y10 to Y1,260 and Mochida Pharmaceutical gained Y110 to Y2,250.

Stocks traded actively on cross-trading included Nikko Securities, which rose Y10 to Y1,170, Nissan Motor, up Y3 to Y783 and Daiei, which added Y20 to Y1,760.

DDI, the telecom company listed on the second section, gained Y46,000 to Y960,000 on bargain-hunting.

In Osaka, the OSE average rose 30.63 to 22,810.31 in volume of 56m shares. Ono Pharmaceutical gained Y40 to Y4,830.

Roundup

Hong Kong stabilised after Tuesday's sharp drop while other markets slid back after profit-taking.

HONG KONG erased early weakness following Tuesday's disappointing land auction with a late round of bargain-hunting.

The Hang Seng index closed 4.63 higher at 9,238.69 after a morning low of 9,130.07. Turnover was a preliminary HK$3.67bn, up from Tuesday's adjusted HK$3.17bn.

But brokers said sentiment remained wary before today's interim profit announcements from Cheung Kong, the property developer, and the conglomerate, Hutchison.

The H-share index, tracking Chinese companies listed in Hong Kong, rose 13.11 or 1.10 per cent to 1,206.21.

SINGAPORE slipped as participants continued to book profits following recent gains. The Straits Times Industrial index fell 24.06 to 2,278.82 as 299.7m shares changed hands.

Malaysian shares traded over the counter were also under pressure, with the UOB-OTC index shedding 9.28 to 1,248.97.

Brokers said that the OTC market was affected by unsubstantiated rumours, including possible resignations by Malaysia's transport minister and the chief minister of Malacca.

Singapore Press Holdings rose 50 cents to S$27.00 after issuing 13m new foreign shares. News of a 71-per cent jump in pre-tax profit at mid-term boosted Cycle & Carriage 10 cents to S$11.30.

KUALA LUMPUR saw its heaviest trading in six months as volume rose to 593m shares.

But blue chips failed to keep pace with speculative stocks and the KLSE composite index closed 4.78 lower at 1,141.57 as investors took profits.

TAIPEI finished off its highs as profit-takers moved in but financial shares benefited from strong buying late in the day.

The weighted index closed 63.95 better at 6,862.14 as turnover rose to T$100.3bn from Tuesday's T$87.56bn.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	TUESDAY AUGUST 23 1994: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY AUGUST 22 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (69)	172.45	-0.8	164.53	107.32	137.87	155.82	-0.7	3.53	173.80	165.23	107.62	136.33	156.91	189.15	139.24	145.32
Austria (17)	191.50	-0.5	182.70	119.17	153.09	162.91	-0.2	1.04	192.36	183.96	119.11	153.10	153.20	195.41	164.84	167.46
Belgium (37)	176.03	0.1	167.94	109.54	140.72	137.57	0.5	4.02	175.91	168.24	108.92	140.00	136.82	178.76	143.82	150.38
Canada (104)	130.25	0.4	124.26	81.05	104.12	129.95	0.6	2.61	129.75	124.09	80.34	103.27	129.24	145.31	120.54	127.15
Denmark (33)	259.31	-1.5	247.40	161.37	207.30	214.55	-1.1	1.38	263.23	251.75	162.99	209.50	216.90	275.79	220.58	223.52
Finland (24)	170.78	-0.8	162.92	106.27	138.51	180.18	-0.2	0.78	172.10	164.60	106.57	136.97	180.51	172.10	104.28	115.56
France (97)	175.98	0.7	167.89	109.51	140.68	145.46	1.1	3.03	174.80	167.18	108.24	139.12	143.93	185.37	159.34	161.27
Germany (58)	145.24	-1.4	138.57	90.39	116.11	116.11	-0.9	1.78	147.25	140.83	91.16	117.19	117.19	147.75	121.78	121.78
Hong Kong (56)	374.58	-2.5	357.35	233.10	299.44	371.60	-2.5	3.27	384.11	367.37	237.85	305.72	381.04	506.56	288.76	282.54
Ireland (14)	198.51	0.2	189.39	123.54	158.70	182.40	0.0	3.46	198.07	189.44	122.65	157.65	182.38	209.33	161.54	171.98
Italy (59)	82.91	-0.2	79.10	51.60	66.28	98.88	-0.1	1.60	83.10	79.48	51.46	66.14	98.93	97.78	57.88	78.63
Japan (469)	165.55	-0.8	157.95	103.03	132.35	103.03	-0.3	0.74	166.86	159.59	103.32	132.81	103.32	170.10	124.54	158.14
Malaysia (97)	561.12	-0.3	535.34	349.20	448.59	561.38	-0.3	1.48	562.66	538.16	348.43	447.55	552.82	621.83	379.23	379.23
Mexico (18)	2349.15	0.9	2241.18	1461.91	1877.98	8569.59	1.5	1.56	2328.98	2227.47	1442.14	1853.82	8441.26	2647.06	1615.11	1738.69
Netherland (27)	214.23	0.2	204.39	133.32	171.27	168.70	0.6	3.38	213.83	204.51	132.41	170.19	167.79	214.54	178.50	178.50
New Zealand (14)	70.70	-0.3	67.45	44.00	56.52	82.51	-0.5	3.62	70.92	67.83	43.92	56.45	82.92	77.59	58.22	62.38
Norway (23)	207.14	-1.0	197.62	128.91	165.60	190.06	-0.7	1.74	209.28	200.15	129.59	166.56	191.37	211.74	165.52	170.54
Singapore (44)	357.38	-0.7	340.97	222.41	285.72	247.29	-0.6	1.70	359.81	344.13	222.80	286.37	248.88	378.82	278.79	280.21
South Africa (59)	302.71	0.6	288.80	188.36	242.00	299.72	0.0	2.09	301.00	287.88	186.39	239.57	299.68	305.44	175.53	196.63
Spain (42)	142.44	0.5	135.89	88.64	113.87	138.32	0.5	4.17	141.74	135.56	87.77	112.81	137.64	156.79	128.88	133.16
Sweden (36)	216.28	-1.0	206.35	134.60	172.91	243.19	-0.4	1.84	218.43	208.91	135.26	173.85	244.21	231.35	175.83	185.68
Switzerland (47)	160.65	-0.6	153.28	99.97	128.43	129.11	-0.1	1.88	161.53	154.49	100.02	128.60	129.29	176.56	133.67	133.67
United Kingdom (204)	201.51	0.3	192.25	125.40	161.10	192.25	0.1	3.95	200.81	192.05	124.34	159.82	192.05	214.88	181.11	188.25
USA (519)	189.74	0.5	181.02	118.08	151.69	189.74	0.5	2.84	188.88	180.65	116.96	150.33	188.88	196.04	178.95	186.20
EUROPE (718)	173.62	-0.1	165.64	108.05	138.80	154.27	0.1	3.01	173.73	166.16	107.58	138.27	154.18	178.58	153.98	164.15
Nordic (115)	214.40	-1.1	204.63	133.48	171.47	205.82	-0.6	1.44	216.80	207.35	134.25	172.56	208.77	222.03	173.19	177.07
Pacific Basin (748)	174.08	-0.9	166.09	108.34	139.17	113.43	-0.4	1.06	175.50	167.94	108.73	139.76	113.52	176.88	134.78	162.02
Euro-Pacific (1466)	173.76	-0.5	165.78	108.13	138.91	129.77	-0.2	1.88	174.66	167.07	108.16	139.03	130.06	175.05	143.88	158.67
North America (623)	186.05	0.5	177.50	115.78	148.74	185.64	0.5	2.83	185.21	177.14	114.69	147.41	184.79	192.73	175.87	182.54
Europe Ex. UK (514)	154.94	-0.3	147.82	96.42	123.86	132.29	0.1	2.45	155.42	148.65	96.24	123.70	132.21	156.12	134.07	134.07
Pacific Ex. Japan (279)	258.19	-1.3	246.33	160.68	206.41	230.23	-1.2	2.80	261.60	250.10	161.93	208.13	233.11	258.21	189.12	200.47
World Ex. US (1647)	175.24	-0.5	167.19	109.05	140.09	133.50	-0.2	1.90	176.06	168.38	109.02	140.12	133.74	176.37	145.58	169.01
World Ex. UK (1962)	176.83	-0.2	168.71	110.05	141.37	146.92	0.0	2.04	177.19	169.47	109.72	141.02	146.87	177.54	155.96	165.22
World Ex. So. Af. (2107)	178.24	-0.2	170.05	110.92	142.49	149.88	0.0	2.23	178.52	170.73	110.54	142.08	149.82	178.81	158.54	168.98
World Ex. Japan (1697)	188.37	0.1	179.71	117.22	150.58	178.92	0.2	2.87	188.12	179.92	116.49	149.72	178.83	195.20	173.87	173.87
The World Index (2166)	179.01	-0.1	170.79	111.40	143.11	150.98	0.0	2.23	179.28	171.46	111.01	142.89	150.92	179.80	158.85	167.08

Latest prices were unavailable for this edition.